



165  
Vol. II

175244  
S.C.

P.V.  
**TRANSCRIPT OF RECORD**

---

---

**Supreme Court of the United States**

**OCTOBER TERM, 1938**

**No. 509**

---

**DENIS J. DRISCOLI, THOMAS C. BUCHANAN AND  
RICHARD J. BEAMISH, ET AL., APPELLANTS,**

**vs.**

**EDISON LIGHT AND POWER COMPANY**

---

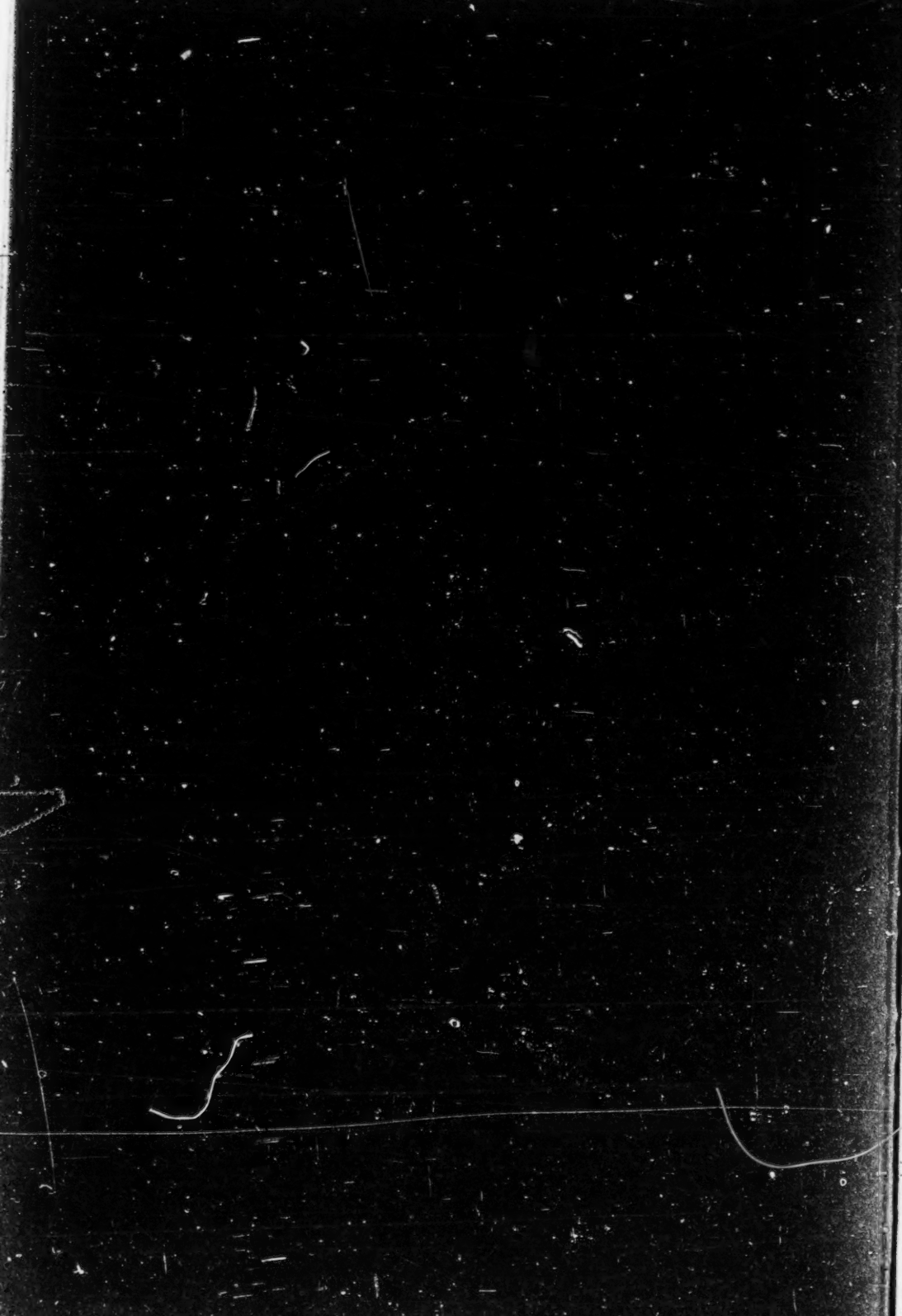
**APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR  
THE EASTERN DISTRICT OF PENNSYLVANIA**

---

---

**FILED DECEMBER 6, 1938.**





# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1938

No. 509

DENIS J. DRISCOLL, THOMAS C. BUCHANAN AND  
RICHARD J. BEAMISH, ET AL., APPELLANTS,

vs.

EDISON LIGHT AND POWER COMPANY

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR  
THE EASTERN DISTRICT OF PENNSYLVANIA

VOL. II

## INDEX.

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,108—Continued.

Minutes of March 11, 1937—Continued

For Respondent—Continued.

Harry A. Reed—Continued.

	Page
Cross .....	691
Redirect .....	717

David Katz:

Direct .....	725
Cross .....	770

Joseph E. Wayne:

Direct .....	771
Cross .....	781

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,108—Continued.

Minutes of March 12, 1937

	Page
For Respondent:	
Clarence A. Mitchell:	
Direct .....	786
Cross .....	789, 807
Redirect .....	789
Theodore E. Seelye:	
Direct .....	791

Minutes of March 31, 1937

For Respondent:	
Clarence A. Mitchell:	
Cross .....	824
Redirect .....	831
John B. Ink:	
Cross .....	832

Minutes of May 19, 1937

For Respondent:	
Harry A. Reed:	
Cross .....	857, 879
Direct .....	877
Theodore E. Seelye:	
Cross .....	881
Redirect .....	889
Recross .....	890
David Katz:	
Cross .....	892

Minutes of June 9, 1937

For Respondent:	
Harry A. Reed:	
Direct .....	906
Cross .....	915
Albert M. Owen:	
Direct .....	916
Cross .....	917

Minutes of June 23, 1937

For Respondent:	
Theodore E. Seelye:	
Direct .....	946
Cross .....	950
Redirect .....	952

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,108—Continued.

Minutes of June 23, 1937—Continued

	Page
For Complainant:	
H. Root Palmer:	
Direct .....	954
Cross .....	958
L. C. Bierman:	
Direct .....	958
Cross .....	960
R. A. McShea, Jr.:	
Direct .....	961, 965
Cross .....	964, 977

COMMISSION'S EXHIBITS

	Original	Print
1—Agreement between Metropolitan Edison Com- pany and Edison Light and Power Company covering Division of Business and Territory, dated January 1, 1935 (omitted in printing) ..	1002	
2—Edison Light and Power Company Net Fixed Capital Additions for the Period from July 1, 1934 to June 30, 1936 (omitted in printing) ...	1010	
3—Statement of Construction Work in Progress as of June 30, 1936 (omitted in printing) .....	1011	
4—Analysis of Account 183. Reserve for Renewals and Replacements for the Period from July 1, 1934 to June 30, 1936 (omitted in printing) ..	1012	
5—Statement of Operating Revenues and Kilowatt Hours Sold From January 1, 1931 to June 30, 1936 (omitted in printing) .....	1013	
6—Operating Expenses—Accounts 350 to 373, Incl., Generating by Steam Power from January 1, 1931 to June 30, 1936 (omitted in printing) ..	1025	
7—Wholesale Agreement, Edison Light & Power Company, Metropolitan Edison Company, Pennsylvania Water & Power Company and Safe Harbor Water Power Corporation, dated January 1, 1935 (omitted in printing) .....	1054	
8—Wholesale Agreement, Metropolitan Edison Company and Edison Light & Power Com- pany (omitted in printing) .....	1073	

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,108—Continued.

COMMISSION'S EXHIBITS—Continued

	Original	Print
9—Transmission System Expenses for the Six Months Ended June 30, 1936 (omitted in printing) .....	1082	
10—Distribution System Expenses for the Period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1084	
11—Utilization System Expenses for the Period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1085	
12—Commercial Department Expenses for the Period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1086	
13—New Business Department Expenses for the Period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1087	
14—General Administrative Expenses for the period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1088	
15—Non Operating Revenues for the Period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1090	
16—Non Operating Expenses excluding Taxes for the Period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1091	
17—Summary of reproduction cost estimate as of June 30, 1934. From Page 32 of report No. 3054—Day & Zimmermann, Inc. (omitted in printing) .....	1092	
17 (revised)—Summary of reproduction cost estimate as of November 30, 1936, from page 1 of report No. 3234, Day & Zimmermann, Inc. ....	988	989
18 (revised)—General Plan of Property, Steam Station, Edison Light and Power Company (omitted in printing) .....	1094	
19—C-11108—Cost of Purchased Energy—Adjusted (omitted in printing) .....	1113	
20—Operating Expenses Generating by Steam Power Years Ended December 31, 1931 to December 31, 1935, Incl. (omitted in printing) ..	1115	
21—Summary of reproduction cost estimate as of June 30, 1934, from page 32 of Report No. 3054, Day and Zimmermann, Inc., with deductions from accounts 204-215, inclusive, for property used for steam production, property		

# INDEX

V

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,106—Continued.

## COMMISSION'S EXHIBITS—Continued

	Original	Print
not used or useful, and property used exclu- sively for York Railways Company, and with adjustments in allowances for indirect costs (omitted in printing) .....	1121	
21 (revised)—Summary of reproduction cost esti- mate as of November 30, 1936, from page 1 of report No. 3234—Day and Zimmerman, Inc., with deductions from Accounts 204-215, in- clusive, for property used for steam produc- tion, property not used or useful, and prop- erty used exclusively for York Railways Com- pany, and with adjustments in allowances for indirect costs .....	1124	990
22—Statement of capital donated by customers as of June 30, 1936 (omitted in printing) .....	1125	
23—Statement of estimated original cost of property as of June 30, 1936 .....	1140	990
24—Earnings and dividend record of the Peoples Electric Light Company for the period from May 4, 1886 to October 31, 1893 .....	1142	991
25—Statement of charges to Public Service Com- mission Account 558, renewals and replace- ments, for the period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1147	
26—Details of computation on estimated original cost of property of the Peoples Electric Light Company for the period from May 4, 1886 to April 11, 1894 .....	1148	994
27—Statement of income available for return, of the Peoples Electric Light Company as reflected in capital stock tax returns and as adjusted for the fiscal years ended the first Monday in November from 1880 to 1893 inclusive .....	1152	998
28—Analysis of portion of charges to P. S. C. Ac- count No. 541—Other general expenses for the period from January 1, 1931 to June 30, 1936 (omitted in printing) .....	1157	
29—Schedules showing revisions in corresponding sheets of Exhibit 18 (omitted in printing) .....	1158	
30—Summary of reproduction cost estimate as of June 30, 1934 from page 32 of Report No. 3054. Day and Zimmerman, Inc., with deductions from Accounts 204-215, inclusive, for property used for steam production, property not used		

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,108—Continued.

COMMISSION'S EXHIBITS—Continued

	Original	Print
or useful, and property used exclusively for York Railways Company, and with adjust- ments in allowance for indirect costs (omitted in printing) .....	1167	
31—Statement showing discount, brokerage or un- derwriting commission, and mechanical ex- pense on all security issues approved by the Commission, to November 15, 1936, which were proposed to be distributed ultimately to the general public.....	1168	1003
32—Bond yields as reported by "Survey of Current Business," issued by United States Depart- ment of Commerce.....	1169	1004
33—Statement showing yields to maturity of secur- ity issues, approved between July 1, 1933 and May 7, 1937, which were for a term of ten years or more, bore a fixed return in dollars were of a type generally marketable, and were actually sold for cash to non-affiliated inter- ests .....	1172	1007
34—Bond prices and yields Pennsylvania Electric utilities .....	1173	1008
35—New York money rates from January 1, 1932 to April 23, 1937.....	1177	1012
36—Corporation profits, earnings on common stocks arranged according to ratios of earnings to high market prices of common stocks.....	1178	1013

RESPONDENT'S EXHIBITS

1—Capitalization Chart of York Railways Com- pany, subsidiary and predecessor companies..	1198	1017
2—Day & Zimmermann, Inc., volume on Reproduc- tion Cost Estimate (filed separately) (omitted in printing) .....	1199	
3—Chart showing amount of steam produced (omitted in printing) .....	1200	
4—Edison Light and Power Company—Chart showing total pounds of steam generated each hour of the day January 28, 1936 (omitted in printing) .....	1206	
5—Diagrammatical sketch of central generating station showing general arrangement of steam facilities, electrical generating units and conversion equipment; source of pur- chased power and single line wiring diagram of principal electrical circuits (omitted in printing) .....	1207	



Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,108—Continued.

RESPONDENT'S EXHIBITS—Continued

	Original	Print
6—Summary statement showing the beneficial interest or profit accruing to the electric company resulting from the operation of the central electric generating plant for the production of steam in lieu of operations on a strictly standby basis, during the year ended December 31, 1936 (omitted in printing).....	1098	
7—Edison Light and Power Company, 1936 increment cost of service to York Railways Company and profit to Edison Light and Power Company .....	1212	1018
8—Summary of reproduction cost estimates as of November 30, 1936.....	1214	1020
9—Summary Sheet 1, Day & Zimmerman Estimate of Original Cost .....	1220	1021
10—Edison Light and Power Company analysis of property owned by York Railways Company and used by Edison Light and Power Company including analysis of joint used facilities as of November 30, 1936 (omitted in printing) .....	1223	
11—Edison Light and Power Company summary statement showing gross additions and retirements by years as abstracted from the books of account of the respondent and predecessor companies and as adjusted for the elimination of net excess values created in connection with the revaluations of plant and property of predecessor companies and other accounting adjustments status as at December 31, 1936 (omitted in printing) .....	1224	
12—Edison Light and Power Company (photo-static) chart showing distribution of salaries of officers and employees to the various classes of utilities on the basis of services rendered during the year ended December 31, 1936 .....	1225	1022
13—Edison Light and Power Company, summary analysis of so-called "Donated Capital Reserve Account" as recorded on the books of account and are suggested for items not yet recorded on the books of account and entries improperly recorded status as at December 31, 1936 (omitted in printing).....	1226	

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,108—Continued.

RESPONDENT'S EXHIBITS—Continued

	Original	Print
14—Edison Light and Power Company, earnings and expenses as recorded for the year ended December 31, 1936 (omitted in printing).....	1241	
15—Edison Light and Power Company statement of net operating earnings adjusted to show the increase in operating expenses which would be experienced by Edison Light and Power Company if the present joint operating agreement with affiliated companies with respect to services of officers and employees on a proportionate basis were not in effect and if the Edison Light and Power Company were charged a rental for property belonging to the York Railways Company which it now uses results for the year ended December 31, 1935.....	1240	1023
16—Edison Light and Power Company estimated expenses in connection with rate case before the Public Service Commission of the Commonwealth of Pennsylvania, Complaint Docket No. 11108-36 (omitted in printing).....	1250	
17—Edison Light and Power Company determination of excess or deficiency of income of predecessor companies of the respondent based on a return of eight per cent applied to fixed capital and working capital investment.....	1251	1025
18—Summary of Reproduction Cost Estimates of Used and Useful Property as of November 30, 1936 and May 31, 1937.....	1256	1030
Stipulation as to evidence (omitted in printing)....	1259	
Offers on behalf of Commission—Consumer consumption data (omitted in printing).....	1259	
Company Exhibit No. 19—Statement of Net Operating Earnings Twelve Months Ended September 30, 1937 with a reflection of unrecorded operating expense item.....	1290	1031
Company Exhibit No. 19 (A)—Detail of Operating Revenues, Expenses and Taxes for the year ended September 30, 1937.....	1291	1032
Company Exhibit 19 (B)—Resolution of Edison Light & Power Company Board of Directors relating to pension plan (omitted in printing) .....	1294	
Company Exhibit 19 (C)—Statement showing cost of pension plan (omitted in printing)...	1296	

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

Proceedings before Public Service Commission of Penn-  
sylvania, Docket No. 11,108—Continued.

Stipulation as to evidence—Continued

	Original	Print
Company Exhibit 19 (D)—Resolution of Ed- ison Light & Power Company Board of Direc- tors relating to discontinuance of existing system of allocation of salaries among affili- ated corporations .....	1297	1085
Company Exhibit 19 (E)—Lease of certain property of York Railways Company to Ed- ison Light & Power Company, (omitted in printing) .....	1298	
Company Exhibit 19 (F)—Copy of application for Commission approval of lease introduced as Company Exhibit No. 19 (E) including documents showing corporate action, taken to give effect to lease (omitted in printing) ....	1302	
Company Exhibit 20—Statement of effect of payroll increases .....	1316	1036
Company Exhibit 21—Statement of Company's Rate Case Expenses .....	1318	1037
Company Exhibit 22—Statement showing net additions to fixed capital for the period De- cember 1, 1936 to September 30, 1937, etc. ....	1319	1037
Company Exhibit 23—Detail of operating ex- penses for year ended September 30, 1937 ....	1321	1038
Statement of evidence .....	1325	1038
Caption .....	1328	1039
Motion to strike answer of intervenors .....	1329	1039
Testimony of Henry D. Boenning .....	1334	1042
Complainant's Exhibit "A"—Statements entitled "Proposed Financing to Realize \$5,500,000 cash to the company based on present secur- ity markets" and "Proposed Financing to Realize \$5,250,000 cash to the company based on present security markets" .....	1356	1053
Testimony of George H. Knutson .....	1384	1069
Dr. Frank Parker .....	1419	1089
Edward C. Isele .....	1450	1105
Complainant's Exhibit "C"—Statement entitled "Edison Light and Power Company, State- ment of Income for the Twelve months ended December 31, 1935" .....	1453	1107
Complainants' Exhibit "D"—Statement entitled "Edison Light and Power Company, State- ment of Income for the Twelve months ended December 31, 1936" .....	1454	1107

# INDEX

Record from D. C. U. S., Eastern District of Pennsylvania—  
Continued.

## Statement of evidence—Continued.

	Original	Print
Complainant's Exhibit "E"—Statement entitled "Edison Light and Power Company Consumers connected and disconnected during twelve months ended December 31, 1937".....	1451	1109
Complainant's Exhibit "F"—Statement entitled "Edison Light and Power Company KWH. Output For Months of October, November and December, 1936 and 1937 and period January 1st to January 13th inclusive for the years 1937 and 1938".....	1460	1111
Respondents' Exhibit 1—Article entitled "The Course of the Bond Market" on page 177 of The Commercial and Financial Chronicle, New York, for January 8, 1938.....	1468	1115
Motion for leave to amend bill.....	1473	1120
Colloquy .....	1474	1120
Stipulation as to substitution of party respondent.....	1477	1121
Stipulation as to submission and as to final decree.....	1478	1122
Opinion, Davis, J., findings of fact and conclusions of law .....	1479	1122
Decree.....	1493	1135
Petition for appeal .....	1496	1136
Order allowing appeal .....	1497	1137
Assignments of error .....	1498	1137
Amended praecipe for transcript of record.....	1500	1139
Citation and service..... (omitted in printing) ..	1504	
Bond on appeal..... (omitted in printing) ..	1506	
Stipulation as to substitution of party respondent.....	1511	1142
Clerk's certificate .....	1511-a	
Statement of points to be relied upon and designation as to printing record .....	1512	1142





*Harry A. Reed—For Respondent—Cross**Cross Examination*

By Mr. Miller:

Q. Mr. Reed, take line 1. What is the total area of the right of way described in column "B", line 1? A. The total area is approximately three-quarters of an acre.

Q. Now, what I mean, the right of way of the York Railways Company, from which you derive your estimated original cost, I assume that you took the total original cost of the entire tract, did you not, of the entire right of way? A. Not of the entire right of way, sir. We referred to the Company's right of way maps which showed the cost of purchasing the right of way property from individual owners. The total area of the tract of which this is a part. I don't recall exactly, nor the original cost of that, that is a matter of company record and can be obtained, but the amount that we have used here is the mathematical result of dividing the total acres purchased in that entire tract into the total dollars and then taking three-quarters of that cost per acre in arriving at this figure.

Q. You say you can get the figures that you used in computing these \$241. Can you give us those at the next hearing? A. Yes.

Q. And will you please? A. Surely. Be glad to. All these figures we have in Philadelphia and it will be very easy to obtain them for you.

Q. Now, is this right of way mentioned in line 1, the portion that you covered in this exhibit, used in part by York Railways Company? A. This right of way is not used, nor is it necessary to be used, by the York Railways Company.

Q. What is it used for? A. At the present time it is used as a site for the Edison Light and Power Company's Spring Grove sub-station.

Q. Now, do the facilities of the York Railways Company pass over this three-quarters of an acre? A. No, sir, they pass



*Harry A. Reed—For Respondent—Cross*

to one side of it. In other words, one of the four boundaries of this tract is the line of the York Railways Company.

Q. The three-quarters of an acre is entirely fenced in, is it?  
A. With the exception of what I had estimated for an approach from the highway, I think it is all fenced. I might be able to clear this up giving you this explanation: In acquiring the right of way for railway purposes at this location, the location of the track itself left a triangular stretch in the original property, which was not of very much use to the original owner, and so they acquired that entire area, which is very customary in acquiring a right of way property, and that portion lying on side of the actual railway line, which is included in that triangle, is where the sub-station is now built. It is not exactly necessary for the York Railways Company to use that, and they don't use it.

Q. And they never did? A. Except at the time of construction they may have used it for construction purposes.

Q. I mean they acquired it simply because it was part of the property that the owner might as well get rid of, and they might as well have, is that right?

Mr. Miles: I want to answer that question.

The Commissioner: I don't think we should assume that they are doing any too bad, so to speak.

By Mr. Miller:

Q. At any rate, York Railways Company never constructed any of their facilities on this particular portion of the right of way which they acquired? A. As to that I can't answer. They are not on there now.

The Commissioner: It is a very insignificant item anyhow.

By Mr. Miller:

Q. Take line 2, is 13.15 miles the entire length of the right of way? A. I didn't get that clearly.

*Harry A. Reed—For Respondent—Cross*

Q. What I want to get clearly is what makes up the figure of \$42,707, the total cost of the right of way mentioned on line 2?

The Commissioner: The total cost of 13.15 miles of right of way, is that what you mean?

Mr. Miller: Well, I want to know is—

The Commissioner: Is the total cost of 13.15 miles of right of way.

By Mr. Miller:

Q. What does 13.15 miles represent. Does it represent the right of way purchased? A. It represents a number of tracts of right of way which were purchased by the York Railways Company in the area, or in the section and located between Smyser's and Gitt's Run sub-station.

Q. What does \$42,707 represent? A. That represents the original cost of the right of way between Smyser's and Gitt's Run sub-station covering a distance of 13.15 miles.

Q. Is it the total of the amounts paid for various parcels making up 13.15 miles? A. It is the total expenditure by the York Railways in acquiring a stretch of right of way 13.15 miles in length.

By the Commissioner:

Q. Which was made up of a number of parcels bought at various times but in whole making a right of way of 13.15 miles in length? A. That is correct. I think there are fifty or sixty parcels in that purchase.

Q. And the total cost of those fifty or sixty parcels put together makes a right of way of 13.15 miles in length at \$42,707? A. That is correct.

Q. From the records of the company? A. Yes, sir.

By Mr. Miller:

Q. Now, does York Railways Company use a portion of that right of way? A. Yes, sir.

*Harry A. Reed—For Respondent—Cross*

Q. For what purpose? A. They have their tracks on it.

Q. Is there anything else? A. Part of the right of way is also used by the transmission lines of the Metropolitan Edison Company.

Q. Does York Railways Company have any power lines or other facilities? A. Yes, they have their pole lines, their overhead transmission lines for rendering electric trolley service.

Q. What portion of the use would you say, expressed in percentage, was made of this right of way by York Railways Company? A. That is a very involved thing to analyze, Mr. Miller. I have not made any attempt to do it.

(Last question read.)

Mr. Miles: What portion of whose use?

Mr. Miller: The total area of the right of way.

Mr. Miles: By the three parties that use it, representing the use by the Edison Company.

Mr. Miller: I asked about York Railways, but Edison Company, if you know that, Mr. Reed, give me that.

The Witness: I don't know of any way of answering that question.

The Commissioner: It seems to me that is an impossibility.

Mr. Miles: I don't see how it is possible to answer it.

By Mr. Miller:

Q. So that by reason of the difficulty of arriving at an allocation of that, sir, you figure that the entire original cost should be placed under the head of the Edison Company—should be paid for, or rather that the original cost should be paid by the Edison Light and Power Company?

The Commissioner: Before we get into that, this is what I am interested in: I would like to have Mr. Miles, if he can do so, show what use is intended to be made of, or what is the purpose of this exhibit in relation to the

*Harry A. Reed—For Respondent—Cross*

\$168,000 of original cost, and particularly as to the \$18,000 of annual cost. Perhaps we can save some cross-examination.

Mr. Miles: If your Honor please, at one of the early stages in this case we expressed as vigorously as we could our belief that there were many benefits accruing directly to the Edison Company as a result of its affiliation with the York Railways Company and these other facilities.

Now, these benefits divide themselves into two classes. One is a direct savings in expenses by the Edison Company—I should say three classes. The second is the profits on the sale of energy and steam. The third is the use of property, or the savings on what would be the necessary capital expenditures to replace the property owned by this affiliate which it now uses.

We have further felt in connection with this case, and with great deference to Your Honor, still feel that the only sound approach or solution of it was an allowance of a rate of return to the Edison Company that would allow compensation for these jointly used facilities and for the saving of money which unquestionably results to the Edison Company as a result of its tie-in with the other affiliates.

Now, Your Honor, by his ruling, indicated, at least speaking for yourself, that you didn't go along with that concept of this case. Now, therefore, we submit—

The Commissioner: I now state for the Commission in connection with that—

Mr. Miles: No formal opinion has been written. I didn't say that the Commission had decided the case—

The Commissioner: And I didn't say that the Commission had decided the case, but the Commission did confirm my ruling, and you were so advised.

*Harry A. Reed—For Respondent—Cross*

Mr. Miles: On that phase of the case now that having been rejected it seems perfectly apparent that the Commission is in effect saying we are going to view this case as relating only to the Edison Company without any reference to its affiliates. We say to Your Honor, with the greatest deference, that is unlawful, but nevertheless the Commission has so held. Now, we say that we feel that there is not any rule of law or reason or conscience which should deny to the Edison Company some compensation for these factors that enter into this case, if not through a rate of return then certainly through an allowance in their operating expenses for rental costs as it relates to property, for increased operating expenses as it relates to joint use of offices, and joint use of employees and administrative officials, and if that theory is rejected then the only other thing that we can conceive of whereby we could get any benefit from this is an inclusion in the rate base of \$168,000, or whatever the figure might be, representing the investment. Personally, we see many difficulties in the face of the third of these three alternatives, but Your Honor has elected by his ruling to say that in the rate of return we are not going to consider it. Therefore, we say we must get it either in operating expenses or in the rate base.

The Commissioner: Remembering what I said, I think I did state several times on the record that as far as I was concerned I was perfectly ready and entirely willing that evidence should be received, should be put into this record, on the value of any facilities owned by the York Railways which were used by Edison Light and Power Company for the purpose of transmitting its energy to customers other than the York Railways Company. I think I did mention that.

Mr. Miles: That is perfectly correct, and this is part of it.

*Harry A. Reed—For Respondent—Cross*

The Commissioner: I don't know whether your witness can answer this question or whether you can. If you would rather make a statement all right.

By the Commissioner:

Q. Mr. Reed, on your rights of way No. 2 and No. 3 I believe the annual rental cost is based on six per cent, is it not?

A. Yes, sir.

Q. The others are based on ten per cent? A. Up to and including eight.

Q. Four, five, six, seven and eight are ten per cent? A. Yes.

Q. And, of course, the others are based on the area, per square foot. Now, you have two setups here. Now, if you heard Mr. Miles' statement of his theory of rate of return, if the testimony was limited to the value of the property owned by Edison Light and Power, Mr. Miles' position is that in view of the relation between the companies, the Edison Light and Power Company should be allowed to earn at least seven and a half per cent to take care of all the expenses surrounding all these companies; you heard his position there? A. Yes, sir.

Q. Now, if you take six per cent rental on this figure included in the estimate of value of Edison Light and Power Company, \$168,142, then on all of that the Company would be allowed a return of seven and a half per cent?

Mr. Miles: No, that is not my theory in any sense.

The Commissioner: What is? What are you going to include for the benefit of the Edison Light and Power Company out of this tabulation?

Mr. Miles: If we are allowed under our theory seven and a half per cent return on the property owned solely by Edison and devoted exclusively to its use we have no interest in any claims for compensation for this because



*Harry A. Reed—For Respondent—Cross*

we think we are being compensated in that manner, but if your Honor saw fit, as you have done, to reject that theory, then we say certainly there must be something added to our operating expenses to take care of what would happen to a company similar to Edison divorced completely from its affiliates, and we think that there should be added to our operating expenses some reasonable rental for those facilities, plus some other accounting expenses which we will refer to when Mr. Katz is on the stand. The third alternative that we can see would be the including of \$168,000 in the rate base of the Edison Company, and the allowance to it of whatever rate of return the Commission ultimately determines. I further observe that we see many difficulties in the way of the last, or the third of these alternatives, because of the question of ownership.

The Commissioner: Then, as I understand it, in this setup here, leaving aside the rentals and storage space in the last four items, there is actually in most of these cases—or leaving aside No. 1 and No. 8, there is joint use of facilities and rights of way by both York Railways and Edison Light and Power, both of them get some benefit out of these particular facilities, do they not, for example, the trolley poles, they both use them?

The Witness: That is correct.

Mr. Miller: Now, Mr. Miles, is the intent or purpose of the exhibit to arrive at figures which would show proper allowance in operating expenses, or tend to show the proper allowance in operating expenses of Edison Light and Power Company for these facilities of York Railways Company which are used by Edison Light and Power?

The Witness: That is right.

Mr. Miles: Yes, that is right.



*Harry A. Reed—For Respondent—Cross*

By Mr. Miller:

Q. Mr. Reed, taking item No. 3, is that right of way used by anyone other than Edison Light and Power Company and York Railways Company in its entirety? A. I think not.

Q. What is the use made of that right of way by York Railways Company? A. It has its tracks and overhead pole lines located on the right of way.

By the Commissioner:

Q. Mr. Reed, let me just ask you one other question in connection with No. 2 and 3 rights of way. If the York Railways owned these two rights of way, as it does now, and had no facilities whatsoever, had just bought the right of way and never done anything about it, put any facilities on that, used for its own purposes, but on it were facilities of Edison Light and Power Company as are on it now, as I understand it, that calculation would be just the same as this, would it not? A. I think so, yes.

Mr. Miles: Were you through with Mr. Reed, Mr. Miller?

Mr. Miller: I want to ask him some questions as to these various items.

By Mr. Miller:

Q. Is 4.42 miles the total length of that right of way, Mr. Reed? A. The right of way under discussion, yes.

Q. Then \$29,233 is the total cost of that whole right of way? A. Yes, sir.

Q. I assume that you would be equally unable to break down that figure into proportions between Edison Light and Power Company and York Railways Company as to proportionate use as you were in the case of the item on line No. 2? A. That is correct.

Q. So that if Edison Light and Power Company were allowed the amount showed in column "F", namely, \$1,754 per year in operating expenses, it would be allowed a figure based

*Harry A. Reed—For Respondent—Cross*

upon the total cost, the total original cost of a right of way used jointly with York Railways Company? A. Yes, sir.

Q. Item No. 4, transmission line. That transmission line is used by Edison Light and Power Company and York Railways Company and by no one else? A. That transmission line is owned by the York Railways Company and used by the Edison Company.

Q. Is it used by Metropolitan Edison? A. No, sir.

Q. Now, I believe you stated in arriving—I assume that \$19,248 is the total cost of the transmission line, is that right? A. No, sir; that is the cost of the wires and cross arms only that were originally installed by the York Railways Company, and they are still owned by them, and located on this stretch of 13.15 miles.

Q. Have you ever made any attempt to allocate the cost of those facilities as between the joint users, namely, Edison Light and Power Company, York Railways Company? A. They are not jointly used by York Railways Company. The wires and the cross arms, Edison has exclusive use of them.

Q. I see you have in column "C", "beneficiary" Edison Light and Power Company and York Railways Company? A. The reason for that is that the poles on which these wires are supported are partly owned by Edison and partly owned by York Railways.

By the Commissioner:.

Q. What is the benefit to York Railways? A. The benefit to York Railways comes through the use of the poles by Edison Company on that right of way by York Railways Company.

Q. For what purpose? A. For the purpose of supporting their trolley wires.

Q. The trolley line does run on this right of way then? A. Oh, yes. The trolley line is on the right of way, but not on these particular poles.

*Harry A. Reed—For Respondent—Cross*

By Mr. Miller:

Q. It is not on the cross arms then mentioned in line 4? A. No, sir.

Q. Now, you stated in arriving at your figure of \$1925 in column "F" you took into consideration depreciation. At what rate did you figure depreciation? A. I have not taken into consideration there the actual depreciation found in that line. I simply estimated that for maintenance and depreciation purposes an additional allowance of four per cent over the six, as reasonable for determining this rental basis.

Q. Now, on what do you base that four per cent allowance? A. That is an estimate based on judgment only. It is not the result of a deep analysis of what actually applies to any particular phase of that line, it is an overall figure.

Q. In line 5 are those poles used jointly by Edison Light and Power Company and York Railways? A. Yes, sir.

Q. I take it that 410 is the total number of poles in that line? A. No, sir.

Q. It is not? A. This is only part of the poles remaining on that line belonging to the York Railways Company. There are other poles on that line that by result of their replacement by Edison Light and Power Company from time to time as old poles of York Railways Company have worn out. There is a working agreement between the two companies whereby Edison on account of its use of facilities there is obligated to replace worn out poles, and as they do they are badged with the Edison Light and Power Company's tag, and have been included by us in our estimate of reproduction cost and of original cost as well so that eventually as the old poles on that line wear out Edison Light and Power Company will in time become sole owner of all the poles referred to.

Q. Does that figure of \$12,331 represent the total cost of all the poles on the line? A. Of the 410 poles that remain in the ownership of the York Railways Company only.

*Harry A. Reed—For Respondent—Cross*

Q. How did you arrive at that figure of \$12,331 as the original cost of 410 poles? A. By finding the unit cost in our original cost estimate of poles of the kind that are included on that right of way and multiplying that by the total number of poles, thereby arriving at \$12,331.

Q. When you say total number of poles, do you mean total number of poles on the line? A. Total number of poles on this exhibit.

Q. 410? A. 410, that is correct.

By the Commissioner:

Q. Well, this total number of poles, is that the total number of poles between Violet Hill sub-station and Dallastown, for example? A. No, sir, that is the total number of poles between Violet Hill and Dallastown owned by York Railways.

Q. There are other poles owned by Edison Light? A. That is correct.

Q. On the same right of way? A. That don't appear in this analysis.

By Mr. Miles:

Q. In the same line, you mean? A. Yes, sir.

By Mr. Miller:

Q. Do you know the total number of poles, regardless of ownership, between Violet Hill sub-station and Dallastown on this right of way? A. I don't know that off-hand.

Q. Can you give us that? A. I think we can. We can get it for you.

Q. And you will? A. Yes.

The Commissioner: Do you have the figures here; you can make that up and supply it?

Mr. Mitchell: Yes.

*Harry A. Reed—For Respondent—Cross*

By Mr. Miller:

Q. This figure of \$1,233, does that include an allowance for depreciation? A. Yes, sir.

Q. In what amount, or in what percentage? A. The depreciation and maintenance there I would figure at four per cent as in the preceding case.

Q. But maintenance of poles in that line owned by York Railways Company? A. Minor maintenance is taken care of by the York Railways Company. As the poles become worn out and require replacement, that is the obligation of the Edison Light and Power Company.

Q. What portion of your depreciation, your four per cent, is for minor maintenance and what portion for depreciation? A. I don't know. I have not thought about it from that angle.

Q. As I understand it, when the 410 poles are replaced they will be replaced by Edison Light and Power Company? A. Yes, sir.

Q. At its sole expense? A. Yes, sir.

By the Commissioner:

Q. Then I don't see in this calculation why there ought to be anything for depreciation, if that is the case. A. When they are ultimately replaced, the cost of that will be borne by the Edison Company. At the present time—

Q. But that is going on all the time in greater or less degree, isn't it? A. Yes, sir.

Q. All right; now, then, as to maintenance, I can see how proper calculation can be made on this exhibit, and for the purpose of this exhibit only I am talking about, I don't see why any figure for depreciation should be allowed there at all.

Mr. Miles: Except why, your Honor, should the Railways Company be expected to get this—

Mr. Miller: It is getting the poles back.

*Harry A. Reed—For Respondent—Cross*

Mr. Miles: No, it is not getting them back. That is just the point you overlooked. Edison is owning them.

The Commissioner: If this is annual rental for the line that is going on both for the future and if this present situation is maintained, and Edison Light goes ahead and replaces the poles that are worn out, and still goes ahead and gets this rental, then I don't see why depreciation should come in here.

Mr. Miles: Obviously, if it succeeded in replacing a line as its own property this would not enter at all, and that would be a matter that the Commission has jurisdiction over at all times.

The Commissioner: If it went on?

Mr. Miles: The only theory of this is that it is a rental that the Railways Company receives, and as these poles are replaced, which is an obligation of the Edison Company, eventually Edison would have the poles in question.

The Commissioner: Then after Edison had replaced all the poles, then the York Railways Company would not be entitled to any rental?

Mr. Miles: That is right, sir.

The Commissioner: But on the theory that the Edison Light Company would get the benefit of the allowance made by the Commission permanently for the future.

Mr. Miles: I don't follow you.

The Commissioner: It seems so to me.

Mr. Miles: Your Honor understands that as these poles are replaced, they are replaced by Edison Company at Edison's expense?

The Commissioner: I understand.

Mr. Miles: And would become a part of its plant and property account, and, as that condition grew, then there would be no necessity for any other rental arrangement, but certainly it could hardly be argued that the Railways



*Harry A. Reed—For Respondent—Cross*

Company should give this property away over a period of years and get no compensation or benefit as a result of the retirement of these poles and the replacement by the Edison Company.

The Commissioner declared a recess of five minutes.

---

*AFTER RECESS*

Q. HARRY A. REED, recalled.

*Cross Examination*

By Mr. Miller:

Q. Mr. Reed, where were these poles replaced charged on the account of Edison Light and Power Company. I am referring now to the poles that you said were replaced by Edison Light and Power Company in connection with the poles mentioned in line No. 5? A. They are additions to fixed capital of the Edison Company.

Q. Were they added to fixed capital, or were they added to maintenance on the books, do you know? A. I am not sure.

Q. Can you find out for us?

The Commissioner: I think the gentleman who testified as to the pole lines who would probably be Mr. Mitchell, would probably be a better witness on that.

Mr. Miller: All right, it doesn't matter who gives us the information.

Mr. Mitchell: The poles that the Edison Company is replacing are capitalized in Edison property and the Railways Company poles are retired from the Railways Company capital. There is no replacement charged to maintenance.

Mr. Miller: That is the way this was recorded on the books?



*Harry A. Reed—For Respondent—Cross*

Mr. Mitchell: Yes, sir.

By Mr. Miller:

Q. I don't know whether I asked you the percentage of depreciation allowance that you applied to these 410 poles. Can you give me that? A. You asked me, and I told you I didn't make specific allowance for depreciation on it.

Q. Does the four per cent figure apply in line 5 as in line 4, is that right, for depreciation and maintenance? A. Yes, sir.

Q. Take line 6. Are the poles mentioned in column "B", of line 6, jointly used by York Railways Company and Edison Light and Power Company? A. Yes, sir.

Q. Are they used by anyone else? A. No, sir.

Q. Is the figure of 464 representative of the total number of poles on the right of way between Smyser's and Gitt's Run sub-station? A. No, sir.

Q. Is that 464 figure comparable with the figure of 410 in the line above? In other words, the poles which are still owned by York Railways Company on that line but which will be replaced by Edison Light and Power Company when they go out of service.

The Commissioner: In the same manner as on the line between Violet Hill and Dallastown.

The Witness: Generally they are in the same category. They are not all located on private right of way.

By the Commissioner:

Q. It is the same general category? A. That is right.

Mr. Miles: The method of retirement is the same.

By Mr. Miller:

Q. I assume you use a four per cent figure for depreciation and maintenance to obtain the figure of \$1,396 in column "F"? A. Yes, sir.

*Harry A. Reed—For Respondant—Cross*

Q. Now, take line 7. Are the poles mentioned in column "B" on line 7 jointly used by York Railways Company and Edison Light and Power Company? A. Yes, they both use them.

Q. And will those poles to the number of 1009 be replaced by Edison Light and Power Company when they are retired? A. Not if the Railways Company is still in operation. They are owned and maintained exclusively by the Railways Company at the present time.

Q. Well then why do you include a four per cent figure as apparently you have in the rental cost to Edison Light and Power Company for those poles? A. The Edison Company lines are located on those poles, and they receive beneficial use from them.

Q. Yes, but your figure of \$2647 was arrived at by taking the six per cent annual rental and adding to it a four per cent figure for depreciation and maintenance, was it not? A. Yes, sir.

Q. Why did you add depreciation and maintenance in the amount of four per cent if the trolley poles are maintained by York Railways Company and will be replaced by them? A. Well, I feel the York Railways Company ought to be compensated for supplying facilities to Edison Light and Power Company.

Q. Even though it uses the poles itself? A. It is part user of those poles, yes.

Q. And you calculate depreciation and allowance as the same where the poles are to be replaced by the Edison Light and Power Company and in this case where the poles are to be replaced by York Railways Company? A. Well, there is no difference. At the present moment the situation is identical.

Q. Now, take the item on line 8, the rotary converter in the central power station, is \$23,961 the total cost of that rotary converter? A. Yes, sir.

# MICROCARD

TRADE MARK



# 22



## MICROCARD<sup>®</sup> EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON MICROCARD AND MICROFICHES  
901 TWENTY-SIXTH STREET, N.W. WASHINGTON, D.C. 20037 PHONE (202) 333-6393

316

38-66



*Harry A. Reed—For Respondent—Cross*

Q. And is that used jointly by York Railways Company and Edison Company? A. No, sir.

Q. For what is that rotary converter used? A. For the purpose of converting AC current to direct current to sell to the Railways?

Q. Solely to the Railways? A. No, sir.

Q. To whom is direct current furnished other than the York Railways Company? A. It was previously testified in this case that there are two customers in the city of York who receive direct current service from the Edison Company.

By the Commissioner:

Q. Is not the bulk of the direct current which is made available by this rotary converter supplied to York Railways Company? A. The bulk of it, yes.

Q. Then there is a very substantial benefit to the York Railways Company from this rotary converter, isn't there? A. The York Railways Company benefits through receiving direct current.

Q. Does York Railways Company pay for that direct current what other customers pay for the direct current served to them by this rotary converter, the same rate? A. No, sir.

Q. It is a lower rate? A. On account of volume of use.

Q. But on the same tariff? A. I think not.

Mr. Miles: It is on a railway tariff.

By Mr. Miller:

Q. Mr. Reed, then there are direct current consumers of Edison Light and Power Company deriving a benefit from this rotary converter also, is that right? A. To a minor extent, yes, sir.

Q. Returning to line 7 for one question, Mr. Reed, does \$26,466 figure represent the total cost of the 1009 poles? A. Yes, sir.

*Harry A. Reed—For Respondent—Cross*

Q. Now, could you tell me what depreciation has accrued on the original cost figures in column "E" lines 1 to 8? A. I made no study of depreciation on original cost.

Q. Why didn't you take the depreciated original cost for the purpose of this exhibit? A. I have no depreciated original cost.

The Commissioner: You (mean depreciated original cost.

Mr. Miller: Yes.

The Commissioner: What is the depreciated reproduction cost?

The Witness: That could be computed. I don't have that information for those specific items.

Mr. Miles: We have it available and will be glad to furnish it.

Mr. Miller: We would like to have it.

By Mr. Miller:

Q. Are there any present agreements as to reimbursement for use of this property, Mr. Reed? A. May I have the question read.

(Last question read.)

By Mr. Miller:

Q. I might put that this way: Are there any agreements as to payment of compensation by Edison Light and Power Company to York Railways Company for the use of these various items? A. Not that I know of, with the exception of the Edison Light and Power Company agreement with the York Railways Company relative to the replacement of certain poles.

Q. Only in connection with the pole lines? A. That is all that I know of.

Q. Are those agreements in writing or are they oral? A. They are oral.

*Harry A. Reed—For Respondent—Cross*

By the Commissioner:

Q. Mr. Reed, if these trolley poles in York and the boroughs, 1009 trolley poles, were owned instead of by York Railways Company by the Edison Light and Power Company the original cost, of course, would still be \$26,446 regardless of ownership?

A. Yes, sir.

Q. What would be a proper charge on the books, an annual charge, on the books of the Edison Light and Power Company in connection with those 1009 poles?

Mr. Miles: For what, your Honor? You mean for depreciation?

The Commissioner: For everything.

The Witness: For maintenance, depreciation upkeep and everything?

The Commissioner: Everything.

The Witness: I would not like to give an answer off-hand on that. I have not made any particular study from the standpoint of long accruals for depreciation, although it would be substantially higher than I have allowed.

By the Commissioner:

Q. Well, but if it was substantially higher than \$2647, even if that were so then Edison Light and Power Company would be entitled to a return, some annual return from York Railways Company for the use of those poles by York Railways Company, wouldn't it? A. Yes, it would.

Q. Would it be entitled to \$8,647? A. I think it would.

By Mr. Miller:

Q. Now, taking item No. 9, can you tell me what annual charge per square foot is represented by the figure \$1064? A. As I previously testified fifty cents per square foot was the estimate.



*Harry A. Reed—For Respondent—Cross.*

By the Commissioner:

Q. And that applies to all four of the last items? A. That is correct.

By Mr. Miller

Q. Now, what is the total area of the Maryland Avenue carbarn in line 9? A. The total area?

Q. Yes, in square feet. A. The total gross floor area is 3,535 feet.

Q. Do you know the total original cost?

The Commissioner: The original cost of this carbarn?

Mr. Miller: Yes, the Maryland Avenue carbarn.

Mr. Miles: We were not allowed to prove that. You objected.

Mr. Miller: For the purpose of this exhibit I am asking him.

The Witness: I beg your pardon, are you referring to the Red Lion?

By Mr. Miller:

Q. No, the Maryland Avenue carbarn in line 9? A. Strike out my original figure. I was quoting on the Red Lion. May I again have the question, please?

Q. Can you give me the total original cost of the Maryland Avenue carbarn and the total number of square feet in the Maryland Avenue carbarn? A. The total floor area in the Maryland Avenue carbarn is 21,415 square feet. According to our study of the original cost of the Maryland Avenue carbarn the estimated direct cost is \$22,156.

Q. Is that the original cost or the reproduction cost? A. The original cost.

By Mr. Miles:

Q. And you said direct cost only? A. Yes, sir.

*Harry A. Reed—For Respondent—Cross*

By Mr. Miller:

Q. Now, where is this part that is used by Edison Light and Power Company for stores located, is that on the main floor, so to speak, of the carbarn? A. There is only a single floor.

The Commissioner: Is there more than one floor to a carbarn?

By Mr. Miller:

Q. Using the basis for determining the proper rental—the basis used by you for determining your figure for rental with reference to line 2, in other words, six per cent of original cost, can you tell me what the comparable figure for line 9 would be? A. Relating solely to interest on the investment?

Q. That is right. A. On that basis the return at six per cent would be about \$133 for the portion of the space used by the Edison Light and Power Company.

Q. And how much would that be per square foot? A. Approximately six cents.

Q. Why did you use the one basis in computing your annual rental cost for line 2 on a basis of fifty cents and the basis which you use in line 9, why would you not use the same basis in line 9 as you did in line 2? A. The situations are not comparable in any manner. In the case of the space occupied by the Company in the carbarn you are supplied light, heat, janitor service, fire protection, watchman service. In other words, it completely maintains the building, and in the other case you simply have the use of bare ground.

By the Commissioner:

Q. Do you get heat in the carbarn? A. Yes, there is heat in the carbarn. That would be comparable to taking the rental return on a bare lot and saying that that should be the basis for the return that you would pay for an apartment, in which all the services are included.

*Harry A. Reed—For Respondent—Cross*

By Mr. Miller:

Q. How did you arrive at your fifty cents per square foot figure? A. I estimated that fifty cents a square foot for the type of space which this company required for its storage facilities was a reasonable price to pay in my judgment, based on my knowledge of that class of property in various sections.

By the Commissioner:

Q. Mr. Reed, what do they get; do they get storage room that is closed off and heated and lighted, or is it just out on the open floor in the carbarn? A. It is the rear end of the carbarn that is given over to the Edison Light and Power Company.

Q. But it is not enclosed and lighted and heated as a separate unit? A. Not as a separate unit, no sir.

Q. It is part of an open floor? A. It is part of an open floor, but they have the benefit of all of these facilities, which they would have to supply in some way somewhere if the Maryland Avenue carbarn were not available.

(Discussion at the instruction of the Commissioner off the record.)

By Mr. Miller:

Q. Now take line 10. Will you give me the total area of the North George Street freight station in square feet and the total original cost?

Mr. Miles: You are asking these questions without land. You intend to do that?

Mr. Miller: What is that?

Mr. Miles: You are asking him to give you this information in each instance without the land. You intend to do that?

Mr. Miller: Yes, if that is the basis of the computation in the exhibit, and I assume it is.

*Harry A. Reed—For Respondent—Cross*

Mr. Miles: Of course, he has not said any such thing, and I don't assume that it is.

The Commissioner: What do you mean, you mean the land surrounding the barn.

Mr. Miles: I mean the land on which the barn is erected.

The Commissioner: Well, the land on which the barn is erected is the square footage of the barn roughly.

Mr. Miles: Yes, but he has in response to these questions only given the original cost of the structure itself and not the land upon which the structure rests. It seems to me that has quite an important bearing on it.

By Mr. Miller:

Q. Is this figure on line 9 of 2,128 square feet, does that represent land and building?

Mr. Miles: No, that represents—

The Witness: The space occupied.

By the Commissioner:

Q. The floor? A. The floor area of a building located on a lot.

By Mr. Miller:

Q. All right, I want the figure comparable to that. Is that what you are giving me, Mr. Reed? A. I know of no way to give that to you because the carbarn does not occupy the entire lot.

By the Commissioner:

Q. I understand the figure that you gave, Mr. Reed, is the original cost of the carbarn structure? A. That is correct, and that only.

The Commissioner: What I suppose we want to have is a comparable figure here as to the cost of the

*Harry A. Reed—For Respondent—Cross*

structure plus the cost of land on which the structure rests.

Mr. Miller: That is true for any basis for allocation of return on original cost, but what I am trying to get is the proportion of building space occupied by York Railways Company the portion of building space occupied by Edison Light and Power Company.

The Commissioner: I think that is quite exact, but it seems to me, Mr. Miller, in making a calculation which is to be related to the calculation of the amount of rental for use of part of the area within a barn you must have as a comparable figure the cost of the land plus the cost of the structure on which you are paying rent.

Mr. Miller: The cost figure should be a combination of the land and building. The space figure should be the building alone, is what I want Mr. Reed to give.

The Commissioner: The building, of course, but I mean in computing any figure on which you are determining whether the amount of rental is reasonable you certainly must have the figure of the land plus the building.

Mr. Miller: That is true.

The Commissioner: Was this figure for land and building?

Mr. Miles: Oh, yes, they are all there.

(Remarks by the witness at his request off the record.)

By Mr. Miller:

Q. What is the land used for outside of the area occupied by the building? A. Car barn, tracks, storage purposes and so forth. It is all necessary land for the car barn at that point.

Q. But it is not used in any way by Edison Light and Power Company except for entrance and exit, is it?

*Harry A. Reed—For Respondent—Cross*

By ~~the~~ Commissioner:

Q. That is the land outside of the barn? A. Yes, sir.

Q. Then outside of the barn the land is used exclusively by York Railways Company for its purposes? A. Yes, and access to the barn.

Q. Of course, but I mean outside of that. The land in question here, 2,128 square feet, is storage space within the barn structure? A. That is correct, on which basis am I to give it?

By Mr. Miller:

Q. We would like to have you prepare your computation based on the original cost of the building plus the original cost of the proportion of the land occupied on which the building is situated.

Mr. Miles: In fairness, I don't want to be objecting to what Mr. Miller wants, but he has just as good mathematicians sitting beside him as we have over here, and has all the data in front of him. If he wants to make a calculation which we think has no relevancy whatever in this exhibit we think he should do it through his own witnesses.

The Commissioner: All the facts that are needed to make the calculation are in Exhibit 2 and Exhibit 9.

Mr. Miles: That is right; yes, sir. The same data upon which we must rely to make it.

Mr. Miller: Except that the original cost is not in the record as yet.

Mr. Miles: You have a copy of it if it is not in the record.

The Commissioner: Let us have that matter clear. As I stated before, whether it is original cost or anything else, any relevant factor as to property of York Railways used by Edison Light and Power for service



*Harry A. Reed—For Respondent—Redirect*

to others than York Railways Company, in whole or in part, I maintain the position that I would like testimony as to it in the record. I stated clearly that I didn't mean by that to have it considered that all of the property included would be considered in our calculation. We may reject or use it, but I said it would be admitted to the record for consideration by the Commission. Any calculation of this kind you want to make in relation to these four items, any information that is available; whether it is in the record or in some volume in which part of this record lies ~~can~~ be used for this purpose.

Mr. Miller: Yes, I think we can make the computation, Mr. Commissioner. That is all the cross examination I have on this exhibit.

*Redirect Examination*

By Mr. Miles:

Q. Mr. Reed, referring to this exhibit, may I ask you whether the extent to which York Railways Company uses any of these jointly owned facilities interferes in any way with the use of those facilities by the respondent? A. No, sir.

Q. Now, if the respondent were compelled to move its units of property mentioned in this statement that you have referred to, to some other location; would it not have to duplicate facilities which it now uses and which are now on property owned by the York Railways Company? A. Yes, sir.

The Commissioner: It would have to duplicate these facilities, Edison Light?

Mr. Miles: Yes.

By Mr. Miles:

Q. Now, to illustrate further, let us take line 5, which shows 410 poles owned by the York Railways Company and used by Edison Light and Power Company? A. Yes, sir.



*Harry A. Reed—For Respondent—Redirect*

Q. We have assumed for the purpose of this exhibit that those poles are worth only the original cost paid by York Railways Company, have we not? A. Yes, sir.

Q. Can you state, or have you available other data from which you can tell me whether the reproduction cost of those poles—that is, whether the cost which Edison Light and Power Company have to pay if it now replaces those poles is less or greater than the original cost of those 410 poles? A. There is not a great deal of difference.

Q. So that the price level, in other words, is about the same? A. I think it would be approximately the same.

Q. Now, assuming that Edison Light and Power Company invested approximately the same amount of money in the same number of poles, can you state whether or not, assuming that it was allowed a return of annually six per cent, can you state whether or not six per cent plus a necessary allowance for depreciation and maintenance would be equivalent to ten per cent of its investment? A. I think it would probably be more than ten per cent on its investment.

Q. Probably more than ten per cent on its investment? A. Yes, sir.

Q. So that in all of the instances disclosed on this statement where we are talking about poles, if the Edison Light and Power Company were required to move to some other tract or site and to erect its own poles, it would have an investment comparable to the original cost here, would it not? A. For the same number of poles, yes.

Q. It would clearly be entitled, would it not, to a return on that investment when it once became a part of its rate base? A. Yes, sir.

Q. Plus some reasonable allowance for its depreciation and maintenance? A. Yes, sir.

Q. Now, isn't that same situation true with respect to all of the other physical property that was referred to on this

*Harry A. Reed—For Respondent—Redirect*

exhibit as distinguished now from the space which it leases in buildings? A. And the rent.

Q. And the rent? A. Yea, sir.

By the Commissioner:

Q. How about trolley poles, how are they spaced in relation to ordinary electric poles in the ordinary setup of any electric company, are they closer together than ordinary poles?

A. I think in general they are closer together.

Q. What I am trying to get at is, if the Light and Power Company could not use these trolley poles, would it have to use 1009 poles of its own? A. You have most of those located in the city districts where the spacing is somewhat arbitrary, you have to be governed more by existing conditions in your spacing of poles than you have to in the country districts.

Q. You don't have much choice as to where you can put your poles? A. And there are other facilities existing that you have to avoid, so that you get into arbitrary distances that are not perhaps economical spacing for distribution of its service.

Q. In other words, your position is as to that particular item of 1009 trolley poles that whatever the cause of the conditions that would be put upon your Company in placing those poles and setting them, that the cost of replacing those 1009 poles, whether they were 1009 or some other figure, would amount to at least that much? A. I think generally so. I have not made a careful study from that standpoint, but I think that is generally the position.

By Mr. Miles:

Q. Now, Mr. Reed, I want to refer next to the leasing of a part of these buildings. Let us take first the Maryland Avenue car barn. As I understand this statement, the respondent leases 2,128 square feet of that building. A. They use 2,128 square feet in that building.

620  
604  
*Harry A. Reed—For Respondent—Redirect*

Q. I mean use, correct. Now, suppose it was no longer permitted to use that building, would it or not require a comparable space in some other building in York? A. It would.

Q. Have you any reason to believe it could or could not lease space in some other building in York at less than the figure that you have stated here?

Mr. Miller: I think I will object to that. I don't think Mr. Reed is competent to answer that question. He has not qualified as a real estate expert.

By the Commissioner:

Q. Mr. Reed, do you know what the real estate situation is in York, and what space can be rented for in other buildings, have you checked on that at all? A. I have not checked on the question of the costs of rental space.

Q. Could you answer the question accurately just asked by Mr. Miles?

The Commissioner: I don't want to rule against the witness answering the question if he knows.

Mr. Miles: I say quite frankly to Your Honor that I don't want him to if he didn't make an investigation. I was informed and I understood that he had.

The Commissioner: Instead of ruling on it I asked Mr. Reed if he had made an investigation of that particular thing, real estate rentals in York with relation to this type of space.

Mr. Miller: If he didn't make an investigation, Mr. Commissioner, he could hardly be familiar with it.

Mr. Miles: I disagree with that.

The Commissioner: He may not have made an investigation as to any particular item and still be familiar because there are other matters that he studied in connection with the general situation. If he does not know he can say so.

*Harry A. Reed—For Respondent—Redirect*

(Last question read.)

By the Commissioner:

Q. Do you know, and don't try to answer the question if you don't know? A. I have not made any study on the question of rental costs in connection with this, and I cannot answer that part of the question.

The Commissioner: I will sustain the objection.

By Mr. Miles:

Q. Now, Mr. Reed, will you refer to Respondent's Exhibit No. 2—do you have it available—will you refer in that exhibit to the reproduction cost of the Maryland Avenue carbarn, both the structure and the land upon which the structure rests, and tell us what the reproduction cost is?

The Commissioner: Where is it; what page is it on? Do you know?

Mr. Miles: The structure is on page 414, Mr. Commissioner.

The Witness: Your question was the size and cost?  
(Last question read.)

The Witness: \$76,298.

By Mr. Miles:

Q. Will you give me the reproduction cost for the land and buildings known as the North George Street freight station, and referring to the line on the statement with respect to which you have been testifying?

(Discussion at the instruction of the Commissioner off the record.)

The Commissioner: I take it you are going to ask as to these four parcels?

Mr. Miles: No, I am just going to ask him as to these two, Your Honor.

*Harry A. Reed—For Respondent—Redirect*

The Commissioner: I thought if you were we could have the calculations made later on.

The Witness: The combined reproduction cost of land and structure on the North George Street freight station is \$43,693.

By Mr. Miles:

Q. Now, as I understand in your last two answers, you have given the reproduction cost of the two structures involved and the area of land occupied by these two structures? A. No, sir, I have given the reproduction cost of the structures and reproduction cost of the plot of land on which the structures are located.

Mr. Miles: That is what I intended to ask you.

By the Commissioner:

Q. What are you saying? Are you eliminating anything?

A. No, sir, I am taking the value of the plot on which the structure is located.

By Mr. Miles:

Q. The particular plot on which the structure is located?

A. That is right.

By the Commissioner:

Q. And as to the structure you are only taking that part used in part by the Edison Light and Power Company, and not the particular structures on the land that are only used exclusively by the York Railways Company; you are not including those? A. No, sir.

Q. A special shed or something like that? A. That is right. The information given in my last statement about the North George Street property was included on page 319 and page 420

*Harry A. Reed—For Respondent—Redirect*

of the reproduction cost estimate of York Railways Company included in Respondent's Estimate No. 2.

By Mr. Miles:

Q. With respect to the estimates of annual rental costs included in the statement regarding which you have just been testifying on lines 9 and 10, 11 and 12, will you state the basis of those estimates?

Mr. Miller: I have no objection to that.

The Witness: The basis of the estimates of rental for the items included in lines 9, 10, 11 and 12 was a judgment figure on my part of what I thought it would cost the Company to rent the same kind of space that they are now occupying.

By the Commissioner:

Q. Not supported, however, by a knowledge of rentals charged in and about York for comparable plots or buildings?

A. No, sir.

Q. But within your general experience? A. Within my general experience and an investigation in York showing that the kind of building that we require would be a very hard one to acquire, which is not a normal type of structure.

By Mr. Miles:

Q. Mr. Reed, in the course of your cross examination I think you made some reference to an agreement between the York Railways Company and the Edison Light and Power Company with respect to the maintenance and replacement of the poles. Did you or did you not mean to imply by that statement that there is any written agreement in existence with respect to that? A. No, sir. As I advised Mr. Miller in his cross examination it is our understanding that there is no written agreement. It is an oral agreement between the two companies.



*Harry A. Reed—For Respondent—Edison*

Q. It is a matter of policy? A. Yes, sir.

Q. And the management is the same in both companies?

A. The executive officers, the top executive officers, I would say.

The Commissioner: In other words, Mr. E. agrees with Mr. X that they will do this.

Mr. Miles: That is exactly what I want.

Mr. Miller: That is all I have at the present, Mr. Reed.

Mr. Miles: We desire to offer in evidence at this time the statement to which the witness has been testifying and ask that it be received in evidence and marked as Respondent's Exhibit No. 10.

Edison Light and Power Company analysis of property owned by York Railways Company and used by Edison Light and Power Company including analysis of joint used facilities as of November 30, 1936, produced and marked Respondent's Exhibit No. 10, E. E. W., 3/11-12/37.

Mr. Miller: I desire to object to its admission into evidence, Mr. Commissioner, because the annual rental cost figures which are the express purpose of the exhibit take in account the joint use of certain of the facilities set forth in the exhibit by Metropolitan Edison Company and York Railways Company, but they place the entire burden of the return upon the estimated original cost of those facilities upon the Edison Light and Power Company, the respondent. Secondly, some of the figures are arrived at by using the four per cent figure for depreciation and maintenance which the witness testified was simply a judgment figure, and which was not supported by a break-down, or by anything more than his mere judgment.

*David Kaye—For Respondent—Direct*

The fifty and per square foot figure used in arriving at the amounts in Items 9, 10, 11 and 12 are stated by the witness to be a judgment figure arrived at without an investigation of comparable facilities in York and without detailed knowledge of prices in York. The four items of figures are based upon original cost computations, or of reproduction cost computations, not upon fair value figures and they represent a return upon original cost and not upon fair value.

The Commissioner: I will overrule the objection, and rule that Exhibit No. 10 shall be admitted to the record for consideration by the Commission in this matter. Of course, the mere admission of this or any other exhibit does not bind the Commission as to its conclusions, or indeed any exhibits filed by the Commission.

The Commissioner declared a recess until one thirty o'clock P. M.

*ARTHUR ROCHER*

DAVID KAYE, a witness called in behalf of the Respondent, being duly sworn, was examined and testified as follows in

*Direct Examination*

By Mr. Miles:

Q. Will you please state your name and occupation? A. David Kaye. I am Assistant Treasurer of Day and Zimmerman, Incorporated.

Q. Now, will you state your past experience and training in accounting matters? A. I have been associated with Day and Zimmerman, Incorporated, since the early part of 1921, a period of fifteen years, during which time I have conducted or have assisted other members of said organization in con-

*Invest. Rate—Per Receipts—Invest*

during financial, accounting and general business investigation in connection with valuations, rate and capitalization matters with respect to public utilities and general business surveys and studies with respect to industrial enterprises.

Q. Will you name some of the companies with respect to which you have conducted investigations during your association with Day and Zimmerman? A. I have conducted examinations in connection with the New England Power Association and Subsidiaries, of Boston, Massachusetts;

The Interborough Rapid Transit Company, New York;

New York Railways of Rochester and Syracuse, New York;

Commonwealth Steel Company, Granite City, Illinois; Edward G. Budd Manufacturing Company, Philadelphia, Pennsylvania;

Scranton Springbrook Water Company, Scranton, Pennsylvania;

Mohawk-Hudson Power Company and Subsidiaries, Albany, New York;

Public Service Gas and Electric Company of New Jersey, Newark, New Jersey;

Commonwealth Edison Company, Chicago, Illinois;

Consolidated Gas Company of New York and Subsidiaries, New York;—

Mr. Miller: We are prepared to admit Mr. Katz' qualifications generally.

Mr. Miles: Well, because of certain matters that might be raised in the case we would rather complete his qualifications. We will be rather brief about it.

The Witness: National Public Utilities Corporation and Subsidiaries, Philadelphia, Pennsylvania, headquarters at Philadelphia;

*David Katz—For Respondent—Direct*

Terrehaute Indianapolis Traction Company, Indianapolis, Indiana;

Torrington Electric Company, Torrington, Connecticut;

Oklahoma Public Service Company, Tulsa, Oklahoma;

Western United Gas and Electric Company, Aurora, Illinois.

Mr. Miles:

Q. Mr. Katz, prior to your association with Day and Zimmerman what generally was your general accounting experience, and particularly as it relates to public utility companies? A. I was an examiner of accounts for the Public Service Commission of the State of New York, which position I occupied from the year 1916 to 1922, about the middle part of 1922, a period of about six years.

Q. And what were your duties in that capacity? A. During this period I conducted accounting investigations and prepared reports for the Commission in connection with petitions before the Commission for authority to issue stocks, bonds and for evidence of indebtedness, and also in matters pertaining to rates.

Q. Now, without going into much detail in response to this question, just name three or four of the companies that you worked for in your capacity for the Public Service Commission in New York? A. Many of the companies with which I was concerned in those years have since lost their identities. However, the former titles of some of the companies are, The Rondack Power and Light Company, whose headquarters at that time were at Amsterdam, New York;

Northern New York Utilities, Watertown, New York;

Central Hudson Gas and Electric Company, Poughkeepsie, New York;

Fulton County Gas and Electric Company, Gloversville, New York;

*David Katz—For Respondent—Direct*

Q. Any railway companies? A. The Binghamton Railway Company, Binghamton, New York;

The Mountain Home Telephone Company, Plattsburg, New York.

Q. Prior to your association with the Public Service Commission in New York, which was immediately preceding your association with Day and Zimmerman, what was your occupation? A. Previous to my association with Day and Zimmerman was examiner of accounts for the Public Service Commission.

Q. I understand that. I say prior to your position as examiner of accounts what was your occupation? A. I occupied minor executive positions concerned with accounting matters covering a period of approximately five years with the Schenectady Railway Company and the Central Hudson Gas and Electric Company of Poughkeepsie, New York.

Q. Mr. Katz, have you supervised an investigation of the books and accounts, physical affairs of the Edison Light and Power Company? A. I have.

Q. What has been the general scope of that investigation? A. The scope of my investigation generally speaking falls into substantially three catagories.

First, an investigation and analysis of the existing records of the respondent and its predecessor and affiliated companies, for the purpose of ascertaining historically the accounting policies and the character and extent of the entries recorded as fixed capital, covering a period from the date of the earliest available records to and including December 31, 1936.

Second, was an examination of the underlying data which go into the accounts concerned with the earnings and expenses as recorded on the books of the company during the year ended December 31, 1936.

Third, an investigation of the administrative and operating personnel of the respondent for the purpose of ascertaining the

*David Katz—For Respondent—Direct*

character and extent of services rendered to its affiliates on a joint operating basis during the year ended December 31, 1936.

Q. How long did this examination or investigation require?

A. The initial work in the field was undertaken in the latter part of October, 1936, and such field work was completed on or about February 12, 1937.

Q. How many persons assisted you, Mr. Katz, in the investigation? A. There were two accountants employed on this assignment, under my direct supervision continuously during the period of our investigation. An additional man was assigned in the work of pursuing an analysis of the so-called donated capital situation, and this work started on or about December 13, 1936 and was completed on or about February 20, 1937, with the exception of two weeks, during which time I was temporarily incapacitated, I was continuously engaged on this investigation.

Q. Mr. Katz, I hand you a tabular statement entitled, "Summary statement showing gross additions and retirements by years as abstracted from the books of accounts of the respondent and predecessor companies and as adjusted for the examination of net excess values created in connection with the revaluations of plant and property of predecessors companies and other accounting adjustments status as at December 31, 1936," and ask you whether that statement was prepared under your personal supervision and constituted a part of the investigation to which you have referred? A. It is.

Q. Now, will you explain briefly what this exhibit purports to reflect, indicating the particular significance of each of the columns indicated? A. This exhibit is a summary showing the gross additions, retirements and adjustments of fixed capital as reflected by the books of accounts of the Edison Light and Power Company and its predecessor companies. The combined period covered by our analysis extended from the year 1887 to and including December 31, 1936.



*David Katz—For Respondent—Direct*

Q. Now, what is column 1? A. Referring to column 1 of this exhibit, which is designated as gross additions, as recorded by the Company, represents the debits as reflected in the several accounts of the respondent and its predecessor, which in accordance with accounting practice in effect during the years covered by our analysis, were recognized as representing additions or adjustments thereof to the plant and property of the respondent.

Q. That is the figure that totals \$5,908,042? A. That is correct.

Q. Do I understand, Mr. Katz, that you start with the figure of \$69,160? A. Yes, sir.

Q. And by adding gross additions from that point on you reach the total indicated at the foot of the column? A. That is true.

Q. All right. Now, column 2, what is that? A. Column 2 of this exhibit which is designated as retirements, as recorded by the company, represents the credits as reflected in the several accounts of the respondent and its predecessor companies which, in accordance with accounting practice in effect during the years covered by our analysis, were recognized as representing retirements or adjustments thereof, covering purported retirements of plant and property of the respondent.

Q. So that column 2 is retirements from a plant and property beginning with 1888, column 1, as you have said, as gross additions to plant and property? A. Yes, both as recorded by the books of account.

Q. In other words, no changes have been made by you in this tabulation from what the books show? A. That is true.

Q. Now, column 3, as I take it is additions resulting from the subtractions of the retirements from the gross additions? A: That is true. Column 4, 5 and 6, as shown by this exhibit represent adjustments made by us for the elimination of values created principally in connection with the acquisition of plant and property by the respondent and its predecessor companies,

*David Katz—For Respondent—Direct*

and other accounting adjustments affecting the recorded fixed capital additions and retirements as disclosed to us as the result of our examination of the books and records.

The net adjustments as shown under column 6, resulted in decreasing the net additions as recorded by the company's books by an amount of \$375,210.

Q. Now, the last four columns? A. Columns 7, 8 and 9 of this exhibit are arrived at by adding or deducting, as the case may be, the amounts shown in columns 4, 5 and 6, to or from amounts shown in columns 1, 2 and 3 respectively.

In column 10 of this exhibit is shown progressively the adjusted accumulative balances by years covered by each of the years under review as indicated by the exhibit.

Q. And what amount have you arrived at as representing the fixed capital balance as shown by the books of the company on December 31, 1936 after such adjustments as were disclosed by your examination? A. \$4,578,793.

Q. What amount is shown on the books of the respondent as of December 31, 1936, as representing its investment in fixed capital? A. \$4,954,003.

Q. That is the total in column 3? A. Yes, sir.

Q. Do I understand, therefore, that you have reduced the balance of fixed-capital as shown on the books by an amount of \$375,210? A. That is correct.

Q. Which is the total shown in column 6? A. That is correct.

Q. Now, will you explain somewhat generally the character and extent of the principal items embodied within your net adjustment of \$375,210? A. The principal item concerned with this net adjustment resulted from a revaluation of the fixed capital of the respondent in the year 1907. This revaluation was made incidental to the acquisition of certain securities, including those of the respondent, by Wrightsville and York Street Railways Company, from Brown Brothers and Company

*David Katz—For Respondent—Direct*

acting as syndicate managers, in accordance with an agreement dated July 1, 1907.

The revaluation resulted in an increase of fixed capital of \$1,715,067 over the amount as reflected by the books of the predecessor company, which was the Edison Light Company of York as then constituted, and subsequently in the year 1913 incidental to a consolidation and merger involving fourteen non-operating electric companies, York Windsor Electric Light Company and Edison Electric Light Company of York, which merger formed the first Edison Light and Power Company. The fixed capital at that time was again revalued. This latter revaluation resulted in a decrease of fixed capital of \$1,352,926. The difference between the excess value of \$1,715,067 created as the result of the 1907 entry and the decrease of \$1,352,926 resulting from the 1913 merger resulted in a net excess value of \$362,141. This amount therefore accounts for the greater part of the decrease in fixed capital of \$375,210, as shown under column 6 of the exhibit. The other net adjustments consisted of other miscellaneous debit and credit items which were disclosed as the result of our examination of the books and records.

Q. Now, Mr. Katz, from your knowledge of the books of account and the accounting policies in effect throughout the period covered by your examination, would you say that the figure of \$4,578,793 shown as the fixed capital account as of December 31, 1936, after incorporating certain adjustments which you had made, represents the original cost of the property of the respondent? A. There are obvious reasons why it is not possible to label as original cost the results obtained from our investigation of the books of account of the respondent and/or its predecessor companies as shown by this exhibit.

Q. Why do you say that? In other words, what are some of the reasons? A. Well, for instance, in the earlier periods prior to the adoption of the present uniform classification of

*David Katz—For Respondent—Direct*

accounts, that is during the period between July 1, 1919 and January 1, 1925, costs covering services of a supervisory or administrative character, which under present procedure would be, in a measure, applicable as an element of original cost of plant and property, were then entirely distributed to operating expense accounts. Our analysis also indicates that certain other elements entering into a proper determination of the original cost of plant and property of the respondent were inadvertently charged against operating expenses or to other income deductions during the years prior to 1925. The general character of such items are those which are recognized as properly a part of fixed capital under Account Nos. 292 to 296, as prescribed by this Commission.

Q. Mr. Katz, what character of capital expenditures are included within those account numbers that you have just mentioned? A. Account 292 covers law expenditures during construction.

Account No. 293 covers injuries and damages during construction.

Account No. 294 relates to insurance during construction.

Account No. 295 embraces taxes during construction.

Account No. 296 covers interest during construction.

Nothing is recorded on the books of the respondent prior to the year 1925 in its fixed capital accounts for items included within any of the accounts I have just mentioned.

Q. Well, did you find prior to 1925 any such items charged against operating expenses? A. I do know that the salaries and expenses of personnel whose duties would be concerned with the supervision of both operations and the construction of the company's facilities were prior to that time, prior to January 1, 1935, entirely absorbed into operating expense accounts.

Q. Now, in addition to the reason which you have already given, namely, that there are no capital expenditures shown within the purview of Accounts 292 to 296, what other reasons,

*David Katz—For Respondent—Direct*

if any, occur to you why the figure of \$4,578,793 does not reflect original cost of the respondent property? A. In my opinion any procedure or effort which has as its purpose the determination of the original cost of the existing plant and property of a given utility by strict adherence to its books of account, must of necessity be supported or amplified by details of a character which will enable proper identification of the property by assembled units in order to permit verification in the field of the actual existence of such property. Such a determination was not and is not possible from the existing books of account of the respondent.

Q. Meaning by that that the books do not disclose whether all of the property embodied within the \$4,578,000 item actually existed and is a part of the present plant and property? A. That is true.

Q. Now, can you out of your experience or knowledge in your particular field of work suggest any procedure that could be adopted by the respondent to permit a determination of the original cost of its property by means of an examination of its fixed capital accounts? A. Yes, I believe I can. I think this can be accomplished only by the adoption and maintenance of what is commonly referred to as a perpetual inventory or a continuing property record tied in with the fixed capital accounts in such a manner that existing and used units of property are at all times recorded and identified in the fixed capital accounts. As a matter of fact the Federal Power Commission promulgated an order, effective January 1, 1937, requiring all utilities subject to its jurisdiction to install and maintain such an accounting system, and I am advised that the Pennsylvania Commission has adopted with certain reservations this classification.

Q. Now, suppose you, by way of illustration of what you have just said, point out certain units of property now owned and used by the respondent in the rendition of its business, but which cannot possibly be identified from an examination of its books as part of its fixed capital on December 31, 1936? A.



*David Katz—For Respondent—Direct*

Well, in connection with the preparation of our original cost estimate I had occasion to try to locate from the records certain items which by our inventory were shown to be existing today, and we found that nowhere in the records of the company relating to its fixed capital can anything be found specifically referring to the original cost. For instance, the old boiler room, the old engine room, the present rotary and switchboard room, or the old battery room, all a part of the generating facilities structure. This is but one of the numerous instances where the cost of specific units cannot be identified or determined from the accounting records. Such costs, hence, can only be ascertained by an estimate of a competent engineer, and which estimate must be related to the date of installation with price of labor and materials then prevailing.

Q. Now, will you for the record give us your definition of original cost as you are using it in this case? A. The Uniform System of Accounts as prescribed by the Federal Power Commission for public utilities and licenses which classification, as I previously stated, has been adopted by the Public Service Commission of the Commonwealth of Pennsylvania, defines original cost as the cost of property to the person first devoting it to public service.

Similarly the Classification of Accounts as prescribed by the Public Service Commission of the State of New York for its electric companies coming within its jurisdiction define original cost as the actual money cost, or the current money value of any consideration other than money, of property at the time when it was first devoted to the public service, whether by the accounting company or by a predecessor public utility. This latter definition, while not greatly at variance with the former, represents my understanding as to the meaning of the term original cost. In this connection I should like to add that the Classification of Accounts as prescribed by this Commission further sets forth by appropriate instructions and classified



*David Katz—For Respondent—Direct*

fixed capital accounts the elements which for the purpose of ascertainment of original cost of plant and property are proper to be included therein.

Mr. Miles: If the Commission please, at this time we would like to offer in evidence and have identified and marked as Respondent's Exhibit No. 11, the statement of additions and retirements to which the witness has been referring.

Mr. Miller: No objection.

Edison Light and Power Company summary statement showing gross additions and retirements by years as abstracted from the books of account of the respondent and predecessor companies and as adjusted for the elimination of net excess values created in connection with the revaluations of plant and property of predecessor companies and other accounting adjustments status as at December 31, 1936, produced and marked Respondent's Exhibit No. 11, E. E. M., 3/11-12-37.

The Commissioner: Respondent's Exhibit No. 11 is admitted to the record.

By Mr. Miles:

Q. Now, Mr. Katz, will you examine the exhibit I just handed you and tell me whether that was prepared under your supervision? A. This particular exhibit was prepared by me personally.

Q. Now, will you state what it is intended to disclose? A. This exhibit shows the distribution of the salaries of administrative officers and certain employees, including the related items of liability, workmen's compensation and unemployment insurance premiums to the separate classes of utilities furnished by the respondent and affiliated companies in the city of York and vicinity, on the basis of services rendered during the year ended December 31, 1936.

*David Katz—For Respondent—Direct*

Q. And the purpose of the chart is to show what? A. The purpose of this chart is to show the extent to which the supervision and other operating salaries of personnel of Edison Light and Power Company have been absorbed by the other jointly operated utilities, on the basis of operating results for the year ended December 31, 1936.

Q. Now, the block at the very top of the photostat which contains no number is intended, as I construe it, to designate the four affiliated companies and the character of service that they render? A. That is true.

Q. And to the right of it is a little block entitled, "Glen Rock Light and Power Company." Now, what is intended to be disclosed by the information in blocks numbered 9 and 10?

A. Blocks 9 and 10—well, those blocks show that with one exception the Board of Directors who served for the four companies shown in the first block also served the Glen Rock Light and Power Company, which while not a subsidiary is an affiliated company. The one exception that I speak of is Mr. Gordon Campbell, who appears as a Director for the Edison Light and Power Company and its affiliates, does not serve on the Board of Directors for the Glen Rock Light and Power Company, and his place on that Board is occupied by Mr. P. A. Russel.

Q. Now, look at the block entitled, "Administrative officers," and tell us what you mean there by, "Distribution of salaries and insurance"? A. The block designated as 4 on this exhibit shows the distribution of salaries and related liability compensation insurance and State and Federal unemployment taxes. The four administrative officers consist of the President and General Manager, Vice President Treasurer and Purchasing Agent, Vice President Secretary and Auditor.

By the Commissioner:

Q. Who serve all four companies you mean? A. Yes, sir.

*David Katz—For Respondent—Direct*

By Mr. Miles:

Q. In other words, Mr. Wayne, who is listed as President and General Manager; Mr. Ludwig, Auditor; Mr. Barnitz, Vice President Treasurer and Purchasing Agent, and Mr. Stees, all served all four of these companies in these capacities, is that right? A. That is true.

Q. Now, what do you mean by percentage of distribution which is reflected in the block, entitled, "Administrative officers"? A. That represents the percentage that each of the joint utilities shown thereon—rather it shows the extent as a percentage relation of the total salaries absorbed by each of these four or five utilities shown on the chart.

Q. Do I understand from that that Edison Light and Power Company, for instance, pays seventy-five per cent of these total administrative salaries? A. That is true.

Q. And the other companies in proportion to the percentage that is indicated in the block? A. That is true.

By the Commissioner:

Q. On what basis is that allocation made? A. That allocation is based on the judgment of the particular officers, or as a group of these respective utilities.

Q. Taking their judgments as to how much of their service is given each of these companies? A. That is right.

By Mr. Miles:

Q. Now, let us drop down on the chart, Mr. Katz, to the five blocks spread across the sheet, entitled, "General office clerks," "Superintendent of Power and Transmission," "Superintendence of distribution," "Assistant Purchasing Agent and Stores Department," and "Commercial Department," respectively, and explain briefly what is reflected by the data disclosed on each of those blocks? A. Taking the block which is indicated as No. 5, covers the salaries and related insurance expenses of fifteen employees whose functional duties are designated by

*David Katz—For Respondent—Direct*

their respective titles in the lower part of that block, which shows the number of such functional employees and the aggregate annual salaries for the number indicated.

Q. Here again by way of illustration under, "General Office Clerks," the total salaries of the fifteen employees is \$21,686?

A. That is correct.

Q. Of which amount the respondent pays 73.2 per cent or \$15,866? A. That is correct.

Q. And the Railways 12.4 or \$2,682? A. That is correct.

Q. Now, that same character of disclosure is shown on the four other blocks which I mentioned a moment ago, which are to the right of the one you just discussed? A. The same procedure was followed in each of those blocks.

Q. The same with respect to block 7, entitled, "Legal Department"? A. Yes, sir.

Q. Block 6, entitled, "Other General Office Personnel," and the block in the lower right hand corner entitled, "New Business Department"? A. That is correct.

Q. And then in the center of the sheet at the bottom is a summary of the whole thing, is it not? A. That is right.

Q. Now, suppose you just discuss that summary briefly as to what it discloses so there may be no misunderstanding? A. The summary shows that there were fifty-seven joint employees whose services during the year 1936, rather whose salaries and related insurance expense during the year 1936 were absorbed on a proportionate basis by York Steam Heat Company, York Railways Company, York Bus Company, Glen Rock Light and Power Company and, of course, Edison Light and Power Company, the respondent, of which companies these employees are a part. The total of such salaries and related insurance expense absorbed by utilities other than Edison Light and Power Company is shown in column 6, and amounts to \$25,333.

*David Katz—For Respondent—Direct*

By the Commissioner:

Q. What column is that? A. Column 6, of the summary.

Column 7, of course, shows the amount of such total salaries that have been absorbed by Edison Light and Power Company in the amount of \$98,274. The total salaries of the fifty-seven joint employees and related insurance expense, as shown in column 8, which shows a total of \$123,607 of salaries and insurance items, and as I have said before 20.5 per cent of these salaries of \$25,333 were absorbed by the other affiliated companies of Edison Light and Power Company.

By Mr. Miles:

Q. Now, this whole statement or exhibit deals only as I understand your testimony with employees and officers whose time and services are devoted between the four companies and certain insurance premiums? A. Well, they are divided between the four companies which are the affiliated companies, plus Glen Rock Light and Power Company.

Q. That is correct, the five companies? A. Yes, sir.

Q. And in addition to that you are considering the distribution of insurance premiums? A. Yes, sir.

Q. Why do you include insurance premiums in this setup? A. I have included only those insurance premiums which premiums are directly related to the payrolls. In other words, as an employee leaves the company, why the related insurance expense is dropped, because premiums are based on the amount of the payrolls paid.

Q. Now, Mr. Katz, have you in the course of your investigation personally made a study of the extent, if any, to which the respondent would be obliged to absorb those expenses, now shared by it with the other four companies in the event that no joint arrangement existed between the five companies for the services of the employees mentioned? A. I have.

Q. And what was the nature of that study? A. Well, again

*David Katz—For Respondent—Direct*

referring to column 6 of the summary it shows that on the basis of actual charges which have been absorbed, or actual salaries and related insurance expenses which have been absorbed by the other utilities. In this connection we conferred with the heads of each of the departments with which this exhibit is concerned, and ascertained from them to what extent they could dispense with the services of employees of their respective departments, in the event that they were relieved of the obligation of service of utilities other than those of the respondent. The result of this investigation indicates that of the fifty-seven officers and employees—

Mr. Miller: I object to that, Mr. Commissioner. The witness is testifying as to hearsay, and has based his judgment on what somebody told him.

Mr. Miles: The witness' testimony will be followed by that of the President of the Company with respect to the allocation of time, and furthermore—

The Commissioner: Followed by the President of the Company, not only to allocate time but determine the salaries paid to these people.

Mr. Miles: Yes, and determine it.

Mr. Miller: As to the President, then the testimony may be proper, but it would have to be followed by all the people with whom Mr. Katz talked.

The Commissioner: I understood him to say that the President will testify not only as to himself but as to the other fifty-six employees affected here, is that right?

Mr. Miles: Yes, as executive head of the Company.

The Commissioner: As executive head, and I suppose, like any other executive head, really has the determining voice in the salaries paid.

Mr. Miller: But in answer to the time allocated, which is a matter of how much time they did spend, I



*David Katz—For Respondent—Direct*

think they would know that themselves better than the President would.

Mr. Miles: I am quite willing, if Your Honor please, if it is that important, to bring these various people here at the time of the next hearing to testify, but I cannot imagine why it is important. It seems to me that the testimony of the executive head of the Company, supported by that of a witness who says he has made a certain independent investigation, is sufficient.

Mr. Miller: I don't insist that they be brought here, I just say that Mr. Katz is not competent to testify as to the time spent by them.

The Commissioner: I agree with that, but he says that the information he got on which he based his allocation was received primarily and in major part from Mr. Wayne, and I assume it was Mr. Wayne, and, if so, he is here to testify as to that. I see nothing improper to have Mr. Katz testify as to that.

Mr. Miles: In addition to that, Your Honor, he said that he talked to these various employees and obtained from them an estimate of the allocation of their time.

The Commissioner: I didn't understand that, that his testimony as to the allocation of percentages is based on what he observed. It seems to me that is almost a physical impossibility for any one man to get that by observation.

Mr. Miles: I didn't say what he observed. I say he discussed with these various employees and individuals their duties.

The Commissioner: As a matter of fact, isn't it true that the allocation is in one sense at least an arbitrary one made by the executive head?

Mr. Miles: Not the slightest doubt about that.

The Commissioner: Then I think the pertinent testi-

*David Katz—For Respondent—Direct*

mony will go right back to what I have in my mind on that, that the pertinent testimony as to this allocation is Mr. Wayne's testimony, and that Mr. Katz got the division that he has set up on this exhibit probably and in very large part from Mr. Wayne, and I see no reason why he should not testify as to that.

Mr. Miller: The exhibit, Your Honor, was prepared from the records and payrolls.

The Commissioner: Exactly, but these payrolls and the allocations on the payrolls are not a matter of checking these people who reported that they worked so many hours on this and so many hours on that. It is in a very real sense an arbitrary division by Mr. Wayne, and I imagine it would have to be in any such setup, as this. I am not criticizing it from that point of view. It seems to me it must be so to a very important degree, isn't that true?

The Witness: That is true: The statement is merely a statement to indicate what is on the records, and nothing further.

The Commissioner: Exactly. Proceed.

The Witness: The result of this investigation indicates that of the fifty-seven officers and employees whose services are jointly utilized by the respondent and its affiliated companies, the entire services of only four of these employees could be dispensed with, as follows, and they would all be concerned with employees shown in the chart designated as five who are accounting employees. These specific employees that could be dispensed with, as concerned with functions, are a one time clerk at \$1,320 a year; one general accounting clerk at \$1,250 a year; one bookkeeper at \$1,140, and one office clerk at \$1,020, or a total of \$4,740. Now, if we take from the \$25,333 the amount of \$4,740, the difference of approxi-

*David Katz—For Respondent—Direct*

mately \$20,000 would represent the benefits which accrue annually to the respondent, in its operating cost—

By Mr. Miles:

Q. Where did you get the cost of \$25,333 that you just used? A. That is in column 6 of the summary on the exhibit.

Q. You have deducted from the total in column 6 of the summary the total of salaries paid to the four clerks or employees whose services you feel could be dispensed with? A. That is correct. So that by that method I arrived at an amount of approximately \$20,000 as representative of the beneficial savings that the Edison Light and Power Company enjoys as a result of this joint use of operating personnel.

By the Commissioner:

Q. I may have had too much lunch, or my mental processes may have stopped completely, but I am afraid I can't follow that. As I understand, these fifty-seven employees do work for the five companies? A. That is true.

Q. Maybe some of these individuals may not have, but, taking them all together, they have done work for all five companies. Now, that is allocated according to this exhibit by \$98,000 to Edison Light and Power and \$25,000 to the other companies? A. Yes, sir.

Q. Now, what work would be done for Edison Light and Power Company if the other four companies were not in the picture that is not done for Edison Light and Power Company by these people now? A. I don't believe I understand your question, Your Honor.

Q. Well, let us put it this way: These people that are now getting \$98,000 for the work they do for Edison Light and Power Company are also getting \$25,000 for their work with the other four companies, and the total is what they are paid, eliminating from that the insurance item? A. Yes.

*David Katz—For Respondent—Direct*

Q. Now, I understood these last questions were addressed to you on the basis of what would happen if the other companies were out of the picture, is that right? A. That is right.

Q. Well, if the other companies were out of the picture, what in your opinion would have to be paid to these people for the work that has to be done for Edison Light and Power Company, that is what I want to know? A. The same amount with the exception of these four employees that are now being paid for the entire services rendered to all of the utilities.

Q. Despite the fact that if the work would remain the same for Edison Light and Power Company, and they are doing all the work of that character for Edison Light and Power Company, that work takes 70, 90, 86, 81, 81, 75 per cent of their time? A. That is true.

Q. In other words, there would be—you have not considered the possibility of reduction in salaries because of reduction of responsibility of work? A. That is true. I didn't figure that any responsibility—that that would lessen their responsibility to the respondent company.

Q. Perhaps that might be so as to the general officers, but as to the lower grades, the lowered salaried employees, that would not be true? A. That would be absolutely true. The salaries of these employees are based on their knowledge, their experience, their ability to fill the positions which they occupy. It is not always possible to load up a man one hundred per cent at all times. He sometimes finds himself under one hundred per cent efficient, so that he is always able to take on additional work, up to certain limits, of course, to the extent of twenty per cent—

Q. What you are driving at, in the way I think of it at least, is what annual saving could be made would be by the reduction of personnel by four people? A. That is true.

Q. But I still don't follow what you mean by the benefits accruing to Edison Light and Power Company by the elimination of these four companies. A. Well, what I meant by that was that

*David Katz—For Respondent—Direct*

they would still have the same salaries that they now pay, even though some of this work was more or less taken away from them.

Q. From the viewpoint of my process of reasoning, I thought what you were attempting to state was that the Edison Light and Power Company would be burdened with an additional sum of \$20,000 if this setup, this joint setup in the allocation of salary, was not in effect. A. It would in its operating expenses.

Q. That is what I mean. A. The salaries are entirely paid by Edison Light and Power Company, they are employees of the Edison Light and Power Company, they are not employees of these other companies. In other words, these other companies pay no part of their salaries, only as they are charged with a proportionate amount for these services.

Q. Now, just one other question from my angle: The Edison Light and Power Company pays out \$123,607 a year for these fifty-seven employees? A. That is true.

Q. And then it charges the other companies \$25,333? A. That is true.

Q. Now, what happens besides charging these companies, do these companies actually pay into the treasury of Edison Light and Power Company that sum each year? A. Yes, sir.

By Mr. Miles:

Q. Now, the \$20,000 figure that you referred to is the deduction from \$25,333 of the salaries of these four employees whom you expressed an opinion could be eliminated? A. That is true.

Q. Now, Mr. Katz, if I may try to illustrate or to assist in illustrating the point you make, let us take Mr. Wayne as an illustration—and he is a good long illustration—take Mr. Wayne as an illustration, as President of each of these four companies, is that right? A. That is true.

Q. And if these companies were divorced, do I understand that your opinion is that Mr. Wayne, or someone of his equal

*David Katz—For Respondent—Direct*

abilities and knowledge, would have to be retained by the Edison Light and Power Company at the same aggregate salary that Mr. Wayne is now receiving? A. That is my opinion.

Q. And he is only paid one salary, isn't he? A. That is all.

Q. And a part of that salary, part of the actual cash for that salary, is paid by York Railways Company? A. Yes, if you put it that way.

Q. Edison Light and Power Company draws a check and Edison is reimbursed by York Railways Company? A. That is right.

Q. Now, does that same system prevail with respect to these general office clerks in the accounting department? A. Yes, sir.

Q. They are all paid by Edison? A. Yes, sir.

Q. But Edison recovers from York Railways Company and the other affiliates certain moneys representing the amount of time that these particular clerks have devoted to these other companies? A. Yes, sir.

Q. And your opinion is that if this company was divorced it would still require for the sole benefit of Edison Light and Power Company, or the sole use of Edison Light and Power Company, the same number of clerks at the same base salaries, is that it? A. That is true with respect to this company.

Q. Except with respect to the four clerks I believe that you said could be eliminated? A. Yes, sir.

Q. And the salaries of the four persons whom you said could be eliminated aggregate \$4,780? A. \$4,740.

Q. Which you deduct from what? A. Which I deduct from the amount shown in column 6, \$25,333.

Q. And that brings you to what sum? A. \$20,593.

Q. And it is that figure which you suggest would result in an increase in operating expenses of the Edison Light and Power Company, is that right? A. That is true.

Q. Now, let us assume that somebody wants to argue with



*David Katz—For Respondent—Direct*

you on that point, can you think of any other alternative if that is not a fact? A. I don't believe I understand your question.

Q. Isn't the only other alternative reducing salaries of present employees by that amount? A. That would be the only alternative.

The Commissioner: That is what I asked.

By Mr. Miles:

Q. That is the only other alternative? A. That is the only other alternative.

Mr. Miles: Your Honor, we offer in evidence, and ask it to be marked and received as Respondent's Exhibit No. 12, the statement with respect to which the witness has been testifying.

Mr. Miller: No objection. Of course, we don't want to be taken as admitting the validity of the allocation.

The Commissioner: The exhibit is offered as a statement of the belief of this witness as to what is a proper amount of allocation on information given to him by Mr. Wayne and other officers of the company. It will be marked as Exhibit 12 and received in the record.

Edison Light and Power Company (photostatic) chart showing distribution of salaries of officers and employees to the various classes of utilities on the basis of services rendered during the year ended December 31, 1936, produced and marked Respondent's Exhibit No. 12, E. E. M., 3/11-13-37.

Mr. Miles: And as ascertained from certain other records of the company and the payrolls.

The Witness: May I say something here, Mr. Miles?

Mr. Miles: I am willing.

The Witness: My understanding of your explanation of this exhibit, I don't know whether it is quite clear:

*David Katz—For Respondent—Direct*

This is not, of course, my allocation of the time or of the salaries of these employees.

By the Commissioner:

Q. I understand it is the allocation given you, secured by you both from the records and from your discussion with Mr. Wayne and other officials? A. The exhibit itself is entirely from the records. That is just the way the time was distributed during the year 1936, or the salaries.

Q. The allocation was shown on the records? A. That is right.

Q. And the justification for the allocation you discussed with Mr. Wayne and other officers? A. I just wanted to get that straight.

By Mr. Miles:

Q. Are there actual time sheets filed in the records? A. No, not with respect to these allocations.

Q. Now, Mr. Katz, I hand you a volume entitled "Summary Analysis of so-called 'Donated Capital Reserve Account' on the Books of Account and for entries improperly recorded status as at December 31, 1936", and ask you whether that was prepared under your supervision? A. It was.

Q. Now, Mr. Katz, will you state what this exhibit is intended to reflect? A. This exhibit, which is made up of fifteen sheets numbered from 1 to 15 inclusive, is a summary analysis of so-called donated capital reserve account as recorded on the books of account as adjusted for items not yet recorded on the books of account and for entries improperly recorded, the status being as of December 31, 1936. The results of the analysis are summarized on sheet No. 1. The balance which is shown by the books of account in a special reserve account under the title "Donated Capital", as at December 31, 1936, amounted to \$165,746.

Q. What character of contributions were included within

*David Katz—For Respondent—Direct*

that book figure? A. The item designated here as Schedule 1 in the summary sheet is the estimated original cost of lines originally constructed and paid for by the customers and subsequently deeded over to the company.

The item designated under Schedule No. 2 consists of the estimated customer's original cost of lines constructed and originally paid for by the customer and subsequently deeded over to the company, but which lines have not yet been inventoried or recorded on the books of the company. It is the same character of items that are shown in Schedule 1, excepting that they are omitted from the column marked column 1, because they don't yet appear on the books of the company. They are carried over into column 2 as an adjustment which should be made to reflect these lines in the so-called donated capital reserve.

Schedule No. 3 represents contributions made by customers as part payment towards the cost of constructing lines built by the company prior to the effective date of this Commission's General Order No. 28.

Items included in Schedule No. 4, which is summarized on this sheet is made up of contributions made by customers as part payment toward the cost of constructing lines built by the company in accordance with Commission's General Order No. 28.

The fifth item represents the original cost of equipment furnished by the company to supply electric energy for the operation of signal apparatus of the Pennsylvania Railroad. The cost of this equipment was eventually repaid to the Edison Company, in consideration of which the latter maintains this equipment.

The sixth category of items is made up of the improvements made to the company's lines which were paid for by American Telephone and Telegraph Company, in consideration for which

*David Katz—For Respondent—Direct*

the Edison Light and Power Company assumed the obligation for maintenance and replacement.

Q. Now, the next item there, Mr. Katz, the original cost of equipment furnished by the company to supply certain energy to the Pennsylvania Railroad, that equipment is actually owned and is now the property of the Edison Light and Power Company, is it not? A. That is my understanding, yes.

Q. The same is true of the last item, I take it? A. Yes, sir.

Now, as I said before, the total of column 1 is \$165,746, which represents the amount which appears on the company's books as representative of the so-called donated capital reserve, and they have been classified according to these categories that I have just mentioned.

The second column represents adjustments which we have made in order to reflect on the books such items as were disclosed as the result of our investigation. The total adjustments as shown there under column 2 amount to \$34,199.

Column 3, which is headed "Balances after Adjustments", is a summation of columns 1 and 2, respectively.

Q. What is the character of these adjustments that you have made? A. Well, I will take up the adjustments as they appear for each of these separate schedules.

I will first refer to Schedule 1, which is covered by sheets Nos. 2, 3, 4, 5 and sheet 6. Those sheets are the details which support the summary schedule designated as Schedule No. 1 on sheet No. 1.

Schedule No. 1 under column 2 shows adjustments amounting to \$26,171, which, by the way, is a deduction. The supporting details of these adjustments are included under columns 6, 7 and 8 and are totaled in column 9 of sheet 6 of this exhibit. We found in the analysis of the data making up these accounts that the company, for instance, in column 6 had incurred capital expenditures on certain of these lines prior to the date at which they acquired, and it was, therefore, necessary to make

*David Katz—For Respondent—Direct*

charge against this account for such items in the amount of \$15,970. We also found in connection with our analysis of items which are designated here as retirements, made up, however, subsequent to acquisition, shown in column 7, an amount of \$7,230. Under column 8 we found that the company, prior to having acquired these lines, had paid certain of these customers for the privilege of tapping on to the lines to serve their customers, the amount of which is \$2,971.

Now, combining all these adjustments, amounting to \$26,171 resulted in decreasing the reserve which the company permitted for this character of items from \$138,873 to \$112,702.

Now, Schedule 2, shown by the summary sheet, rather than the items underlying Schedule 2, are detailed on pages 7, 8 and 9. In connection with the items shown on Schedule 2 we found that none of these items shown on this schedule have been carried to the company's records, so far as this reserve is concerned. There is one instance in connection with that Schedule 2 that I want to refresh my memory on. Now, it will be noticed on this schedule here that I use estimated customers' original cost of lines constructed and originally paid for by customers and subsequently deeded over to the company, but not as recorded on its books of account. The estimated original cost to customers as used here refers to a preliminary estimate made by the new business manager of the company and is not based upon an inventory of the respective lines or any detailed consideration with respect to unit prices, as was the procedure with respect to similar items reflected in Schedule 1, previously discussed. It has been the policy of the management to defer actual recording upon its books of these lines until an inventory and original cost determination has been made by its engineering staff, so that the amounts as shown under column 6, therefore, are included herein—

*David Katz—For Respondent—Direct*

By the Commissioner:

Q. Column 6 of Schedule 2 you are referring to now, sheet 9, is that what you mean? A. Column 6 of sheet 9.

Are included herein on the basis of the preliminary or tentative estimates which were made by the new business manager until such time as the company had occasion to inventory the line, which is usually done at the time some major work is contemplated in connection with some work order that might come up.

The Commissioner declared a recess of five minutes.

---

AFTER RECESS

DAVID KATZ, recalled.

*Direct Examination*

By Mr. Miles:

Q. Now, Mr. Katz, let me see if we can hurry along a little further on this exhibit.

(Remarks by Mr. Miles at his request off the record.)

The Witness: Items appearing on Schedule 2, as I said before, have been carried as an adjustment under column 2 in the summary of the exhibit as \$61,704, which, on the basis of these preliminary estimates, should be added to the reserve now appearing on the company's books.

Schedule 3 shows—

By Mr. Miles:

Q. Just one moment. The statements appearing on Schedule 2, you have by cross reference, have you not, related or



*David Katz—For Respondent—Direct*

referred to the items appearing on Commission's Exhibit No. 22? A. Yes, the items that appear on Commission's Exhibit No. 22 are by cross reference related to items appearing on Schedule 2.

Q. Now, go ahead with Schedules 3 and 4 and then we will get down to this reconciliation sheet. A. Referring to column 1 on the summary sheet, contributions made by customers prior to Commission Order No. 28, amounting to \$4,801, and the underlying data, the details supporting that figure are shown on sheet No. 10.

By the Commissioner:

Q. Schedule No. 3? A. Schedule No. 3, sheet No. 10, and the adjustments there amount to \$1,334, which is to cover an elimination of duplicate items which were duplicated under Schedule 1. That is, they all appear in Schedule 1, so we eliminate them in Schedule 3.

Column 5 represents the net contribution, as adjusted, made by customers as part payment toward the cost of constructing lines built by the Company prior to the effective date of this Commission's Order No. 28.

Schedule No. 4 is a schedule of similar items as Schedule 3, stating that they were contributions made in accordance with the Commission's General Order No. 28. No adjustments have been made with respect to this schedule, and it shows that the customers have contributed under the terms of General Order No. 28, \$4,053. There are no schedules supporting the last two items on the summary sheet, they appear to be self-explanatory and are really single items.

Sheet No. 12 is a summary reconciliation of Commission's Exhibit No. 22, covering so-called donated capital, with the Company exhibit covering similar items, status as at December 31, 1936. Column 1 is a summary of Commission's Exhibit No. 22, arranged in such a manner as to be comparable with Company's exhibit underneath similar categories. In other words,

*David Katz—For Respondent—Direct*

column 1 and column 2, which is designated as "Adjustments to reconcile with Company's Exhibit", and column 3 is the total shown on Company's summary exhibit on sheet 1. The Commission's Exhibit No. 32 shows a total for items of this character amounting to \$267,515, whereas the Company's exhibit submitted here shows a total of \$199,945 for similar items.

Column 2 represents the difference or the adjustments which are necessary to reconcile the Company's exhibit with the Commission's Exhibit No. 22, and then sheets 13, 14 and 15 give the details of that reconciliation, giving the detail of the adjustments which are necessary to reconcile, and thereby cross referenced symbolized here by using the letters A., B., C., and the details of these adjustments are shown on sheets 13, 14 and 15.

By Mr. Miles:

Q. In other words, the total shown on sheets 13, 14 and 15 make up the sum of \$67,570 shown in column 2 of sheet 12, and the sum of \$267,515 shown in column 1 of the same sheet, producing the figure of \$199,945? A. 945, which is the amount shown in column 3 on sheet No. 1.

Q. And is that the amount, Mr. Katz, that you find as estimated original cost of the existing plant and property donated by customers, contributions made by customers towards lines built by the Company? A. With the one exception, and that is, as I explained before, the items appearing on Schedule 2 are based on a preliminary estimate, which is subject to further adjustment, if any, if and when the property is inventoried by the Company, and as to its existence, and as to what the original cost was.

Q. With that exception, this is actually original cost as disclosed by the books? A. Yes, sir.

Q. Have you examined the statement, the statement relating to certain lines built in part or in whole with customers' funds that has been offered in this case as Commission's Exhibit No. 22? A. I have.

Q. Have you any comment to make with respect to that exhibit? A. The statement in question was not based on any

*David Katz—For Respondent—Direct*

actual inventory, or upon any analysis of the Company's accounts and records to determine the actual cost of such lines.

By the Commissioner:

Q. Which statement, or which exhibit, No. 22? A. Commission's Exhibit No. 22. The statement is therefore obviously conjectural.

By Mr. Miles:

Q. It was, as I recall it, some figures presented to the Commission at a conference between certain representatives of the Company and representatives of the Commission, was it not? A. That is true.

Q. Are the figures on that statement tied in with the actual book figures? A. Only in certain respects. Where the cost of the lines were actually recorded on the books, or where contributions, for instance, were known to the new business manager as having been made, he has included those—those were in accordance with what was on the books. but in many cases they were based on preliminary estimates made by him from his contact with their contractors and customers who had paid for those lines. It was not the result of any comprehensive analysis as we were obliged to make in order to determine these things.

Q. Mr. Katz, have you any personal knowledge as to whether all of the lines included within your estimated original cost of \$199,945, as shown in the summary on sheet 1 of the exhibit to which you have just been referring, are now actually a part of the used and useful property of the respondent? A. I was not able to determine that by strict adherence to the records. I didn't personally investigate in the field as to whether they actually existed or not. However, we did record as a matter of adjustments herein knowledge which we obtained from the records relating to retirements.

*David Katz—For Respondent—Direct*

Q. Then is your answer that you know or don't know, that is all I am trying to get at? A. I don't know; no, sir.

Mr. Miles: If Your Honor please, at this time we offer in evidence and ask it to be received and marked as Respondent's Exhibit No. 13 a copy of the analysis of donated capital, with respect to which the witness has just testified.

Mr. Miller: No objection.

The Commissioner: The exhibit will be marked as Respondent's Exhibit No. 13 and admitted to the record.

Edison Light and Power Company, summary analysis of so-called "Donated Capital Reserve Account" as recorded on the books of account and are suggested for items not yet recorded on the books of account and entries improperly recorded status as at December 31, 1936, produced and marked Respondent's Exhibit No. 13, E. E. M., 3/11/12/37.

By Mr. Miles:

Q. Mr. Katz, I hand you several sheets bound and entitled "Edison Light and Power Company earnings and expenses as recorded for the year ended December 31, 1936", and ask you whether these statements were prepared under your direct supervision? A. They were.

Q. Now, will you refer to the first sheet of the statement in question and tell us what it contains? I don't mean running over every item, I mean just tell us what the sheet is intended to reflect? A. The first sheet is a summary statement showing the net operating earnings of the Edison Light and Power Company as recorded on the books of the Company for the year ended December 31, 1936.

Q. Have these revenues and expenses been classified in accordance with the Commission's-prescribed system of accounts? A. They have.

*David Katz—For Respondent—Direct*

Q. And are they actually figures taken from the books of the Company? A. They are.

Q. For what year? A. The year ended December 31, 1936.

Q. And you have not adjusted those figures in any manner?

A. I have not.

Q. In other words, this is a mere tabulation of what the books show? A. That is it.

Q. What is sheet No. 2? A. Sheet No. 2 is the detail of operating revenue for the year ended December 31, 1936, arranged to show revenues received under various schedules, summarized and distributed in accordance with Accounts 300, 301, 304, 305, 309 and 328 of the classification of accounts.

Q. That sheet shows the number of customers, kilowatt hours sold, and the dollars received by classification of revenues, does it not? A. That is true.

Q. Now, sheets 3 to 8, Mr. Katz, as I understand it, are nothing more than the detail of the various expenses summarized on sheet 1 under a recapitulation of operating expenses?

A. That is correct.

Q. And you have devoted to each particular expense account one sheet which gives the detail with respect to that account?

A. That is correct.

Q. Is there any particular comment that you desire to make with respect to this exhibit? A. None.

Mr. Miles: Now, we offer in evidence the tabulation of revenues and expenses of the respondent as explained by Mr. Katz, and ask it to be received and marked as Respondent's Exhibit No. 14.

Mr. Miller: No objection.

The Commissioner: It will be marked as Respondent's Exhibit No. 14 and admitted to the record.

Edison Light and Power Company, earnings and expenses as recorded for the year ended December 31, 1936,

*David Katz—For Respondent—Direct*

produced and marked Respondent's Exhibit No. 14, E. E. M., 3/11/12/37.

By Mr. Miles:

Q. Mr. Katz, I next hand you a tabular statement entitled "Statement of Net Operating Earnings adjusted to show the increase in operating expenses which would be experienced by Edison Light and Power Company if the present joint operating arrangement with affiliated companies with respect to service of officers and employees on a proportionate basis were not in effect and if the Edison Light and Power Company were charged the rental for property belonging to the York Railways Company which it now uses results for the year ended December 31, 1936", and ask you whether this adjusted statement was prepared by you personally? A. It was.

Q. Now, Mr. Katz, will you refer to the first line of this exhibit and tell me what the figure \$648,024 represents? A. It represents the net operating earnings as shown on line 31 of Company Exhibit No. 14.

Q. Was that the net operating earnings for the year ended December 31, 1936 that was mentioned on the preceding exhibit? A. Yes, sir.

Q. And then what is included within this figure of \$25,333? A. That is the amount shown by column 6 of Exhibit 12 and represents the summary of distribution of salaries and insurance of officers and employees of respondent to their jointly operated utilities on the basis of operating results for the year ended December 31, 1936.

Q. Well, did the respondent in the calendar year 1936 actually pay the sum of \$25,333 to the employees of the various departments referred to on the statement in front of you? A. The respondent actually paid those salaries and related insurance for those employees, yes, sir.

Q. What is your next item on the statement? A. From the \$25,333 I deducted the salaries of four employees, to which I



*David Katz—For Respondent—Direct*

previously testified in connection with Exhibit No. 12, amounting to \$4,740, leaving a balance of \$20,593.

Q. What is the next item? A. The next item is estimated rental for property belonging to the Railways Company and used by the Edison Light and Power Company as detailed in Company's Exhibit No. 10, as testified to this morning by Mr. Reed, in the amount of \$13,794.

Q. Did you say \$13,000? A. \$18,794. The combining of these two items totals \$39,387, and represents what in my opinion would be, that is, the opinion of myself and Mr. Reed, with respect to the item in Exhibit 10, and represents the amount which the Edison Light and Power Company would have to include in its operating expenses if it did not share with the other utilities the use of these facilities and personnel. The deduction of that amount, namely, \$39,387, from the net operating earnings as shown line 3 of Company Exhibit No. 14, amounting to \$648,024, leaves net operating earnings as adjusted amounting to \$608,637.

Mr. Miles: Your Honor, we offer in evidence the statement to which Mr. Katz has just referred, and ask that it be received and marked as Respondent's Exhibit No. 15.

Edison Light and Power Company statement of net operating earnings adjusted to show the increase in operating expenses which would be experienced by Edison Light and Power Company if the present joint operating agreement with affiliated companies with respect to services of officers and employees on a proportionate basis were not in effect and if the Edison Light and Power Company were charged a rental for property belonging to the York Railways Company which it now uses results for the year ended December 31, 1936, produced and marked Respondent's Exhibit No. 15, E. E. M., 3/11-12/37.

*David Katz—For Respondent—Direct*

Mr. Miller: We object to the exhibit insofar as the item of \$18,794 is concerned, that being derived from Exhibit No. 10 which was admitted over the Commission's objection this morning.

The Commissioner: I will overrule the objection for the same reasons as stated as to Exhibit No. 10, and admit Exhibit No. 15 to the record.

By Mr. Miles:

Q. Mr. Katz, I hand you a statement entitled, "Edison Light and Power Company estimated expenses in connection with Rate Case before the Public Service Commission of the Commonwealth of Pennsylvania Complaint Docket No. 11108-36," and ask you whether that statement was prepared by you? A. It was.

Q. Now, will you state the substance or in detail, if you desire, the exhibit consists of only five lines? A. The exhibit which I termed as estimated expenses in connection with rate case, is in fact for the most part actual expenses incurred up to March 1st of this year, plus an estimated allowance for services rendered, but not yet billed to date, covering engineering services and expenses, accounting services and expenses, legal services and expenses, and miscellaneous expenses, totaling \$86,000.

Q. And the exhibit is broken down as between the four classifications you have mentioned, namely, engineering, accounting, legal and miscellaneous? A. Yes, sir.

Q. As I understand it these expenses have either been actually paid or incurred but not paid? A. Yes, sir.

Edison Light and Power Company estimated expenses in connection with rate case before the Public Service Commission of the Commonwealth of Pennsylvania, Complaint Docket No. 11108-36, produced and

*David Katz—For Respondent—Direct*

marked Respondent's Exhibit No. 16, E. E. M., 3/11-12/37.

Mr. Miles: We offer in evidence, if Your Honor please, this exhibit.

The Commissioner: For what purpose?

Mr. Miles: We offer it in evidence on the theory that the law is well settled to the effect that the respondents in a rate investigation instituted by a regulatory body is entitled to an allowance for its necessary rate case expense, and which allowance we understand is generally amortized over some reasonable period of time.

Mr. Miller: No such allowance is made if the company is unable to sustain its rates, or if the complainant proves that the rates are unreasonable.

Mr. Miles: I am quite willing to argue the legal affect of that later, but I simply refer my brother to the Supreme Court's opinion in the West Ohio case, decided two years ago. It is a question of law.

The Commissioner: Exhibit No. 16 will be marked and received for the record, simply as a factual statement of the estimate of expenses in connection with this case, without any admission as to what should be done with these items in the setup of the company.

Mr. Miles: Do I understand by that statement that it is being received as evidence of the rate case expenses?

The Commissioner: Yes, but I say without any admission as to what should be done with the item of \$86,000 in accounting practice or in allowance at this time.

By Mr. Miles:

Q. Mr. Katz, we come to the last of your exhibits, I believe, which is entitled, "Determination of excess or deficiency of

*David Katz—For Respondent—Direct*

income of predecessor companies of the respondent based on a return of eight per cent applied to fixed capital and working capital investment." I ask you whether this statement was gotten up under your supervision? A. It was.

Q. Now, will you refer to the first sheet of this exhibit which relates to the People's Electric Light Company, and take the sheet up by columns, and tell us what is intended to be reflected?

Mr. Miles: Your Honor, I might say that this exhibit is offered by the respondent in connection with what is commonly referred to as lag, and in the light of the opinion of the Superior Court in the Chambersburg case.

The Witness: The determination on sheet 1 relates to the People's Electric Light Company. This company which was one of the early predecessors of the respondent started business in the year 1886, and it lost its corporate identity when it was first acquired by Edison Electric Light Company of York during the early part of the year 1894.

Column "A" of this exhibit or schedule shows the extent to which figures representative of the fixed capital investment by this company were available from the original books of accounts. It should be noted that the only available fixed capital investment figures obtained from the books of accounts concerning this company, was that which was obtained from an entry made on the books of a successor company, whereby the purported book value of this company's fixed capital was taken up on the books of that company incident to its acquisition. In the absence of figures representing this company's investment in fixed capital obtainable from original books of account, we discovered that periodical condensed balance sheet statements and net earnings were recorded in the minute books of that company. Those figures were used by us in this determination. The amount repre-

*David Katz—For Respondent—Direct*

representative of fixed capital investment as recorded in the minute book at the end of the year 1889, and for each succeeding period, ending with September 30, 1893, are shown in the column "B", which we have designated as "Adjustments". In connection with the acquisition of plant and property by this company by the Edison Electric Light Company of York, this latter company as successor company recorded on its books an amount of \$66,666 as the purchase price for which this property was bought, which amount was \$7,429 in excess of the amount of fixed capital as shown by the last available balance sheet of People's Electric Light Company. We have accordingly eliminated this excess in the determination as shown on line 9 under column "B".

Column "C" represents fixed capital as adjusted on this basis of determination—

By Mr. Miles:

Q. The only adjustment that was made is the one you mentioned in connection with the 1894 transaction? A. Yes, sir.

Column "D" represents my estimate of the working capital which would ordinarily be required by this company in order to properly function.

Q. What is the basis of the estimate? A. The basis of this estimate is substantially equivalent to about two months of operating expenses.

Q. In other words, you ascertained from the available records the sum equivalent to two months of operating expenses experienced by the company for the particular year in question, and then adopted substantially that as its necessary working capital? A. Yes, sir.

Column 3 is simply the details of columns "C" and "D".

Q. Adjust fixed capital plus working capital? A. That is true.

*David Katz—For Respondent—Direct*

The amounts shown in column "F" represent the equivalent of eight per cent applied to the balance shown in column "E".

By the Commissioner:

Q. Why eight per cent? A. This, of course, is primarily an accounting computation made by me, but the per cent was arrived at after due deliberation by members of Day and Zimmerman. I believe that Mr. Seelye our Vice President will testify in that respect.

Mr. Miles: I might say, Mr. Commissioner, this exhibit is only offered in connection with the consideration of going value. Mr. Katz made certain accounting studies which Mr. Seelye will want to refer to when he is on the stand, and as I understand it Mr. Seelye is the sponsor of the eight per cent suggestion.

The Witness: That is correct.

Column "G" represents earnings before depreciation provisions.

Column "H" is an estimated allowance for annual depreciation provisions. That is, the provisions are on an annual basis. You notice that some of these periods cover more or less than a year. That was because of the fact that annual figures were not available from the statements which were at hand.

Column "I" represents estimated earnings after depreciation provision as shown in column "H" from the earnings shown before depreciation in column "G".

Column "J" is the result of comparing the amounts in column "I" with the amounts arrived at from the application of the eight per cent to the fixed capital, working capital, shown in column "F". The asterisks after the figures indicate that the earnings were less than the amount equivalent to an eight per cent return.



*(David Katz—For Respondent—Direct)*

Q. Now, I notice with respect to this particular company we were unable to find any data recording its operations in the years 1886, 1887 and 1888, or with respect to its kind of property for those years? A. That is true.

Q. But for the years November 30, 1889 to January 24, 1891, and from the last mentioned date to April 30, 1892, it was considerably under eight per cent return? A. That is correct.

Q. Now, how many companies are embodied within this exhibit, Mr. Katz? I don't think we need enumerate them all. A. There are five:

Q. Let us refer to the Merchants Company—

By the Commissioner:

Q. Let me ask you one question before you go to that. The next one, sheet 2, Westinghouse Electric Light, Heat and Power Company, no fixed capital recorded on the books apparently from 1892 to January 5, 1897, is that right? A. That is right.

Mr. Miles: But the minute books, Your Honor, of these companies—

The Commissioner: I quite understand. But the amounts given under adjustments in "B" for these five periods are taken from the minute book statements, is that right?

The Witness: That is right.

By the Commissioner:

Q. Now, then the adjusted fixed capital for the last of these five periods was \$43,448? A. Yes, sir.

Q. In 1898 you found, the very same year, you found fixed capital recorded on the books as \$28,829? A. That is right.

Q. Now, where did you get that adjustment of \$8,872 to bring that up to \$28,829? A. In the year 1899 when Westinghouse was acquired by Edison Electric Light Company of York, or the York Light, Heat and Power Company there was a re-

*David Katz—For Respondent—Direct*

valuation made at that time which decreased the fixed capital by an amount of \$31,202. Subsequently in 1908—

Q. Wait a minute. You just said 1898, didn't you? A. 1899.

Q. 1899. Now, you were referring to 1908? A. We are referring to a "contra" or a difference which was arrived at 'way back in the earlier period, and we assume—

Q. How do you justify that? A. Well, we assume that inasmuch as the write down only amounted to \$31,202, we assumed that in restoring that in 1908, that they should have restored \$31,202, or the same amount which was written down, but instead of that they used the figure of \$40,704.

Q. What I am trying to get through my normally thick head is what caused the reduction of fixed capital from \$43,488 in 1897 to \$28,829 in 1898? A. Well, the minute book showed a balance on its balance sheet for fixed capital of \$43,448.

By Mr. Miles:

Q. That is in 1897? A. In 1897.

By the Commissioner:

Q. January, 1897? A. And the first indication that we had of any books was in 1898 when it appeared as \$28,829.

Q. Then on the basis of the change in valuation in 1908 you raised that \$8,872 to bring that figure to \$37,701? A. That is right. We have attempted here, although it is quite sketchy, we have attempted to register this fixed capital on the basis of information that was available, and by the same process you will notice in 1900 we again reduced that amount by \$23,330.

Q. Bringing it back in 1902 to almost what it was in 1897? A. That is right.

Mr. Miles: I might say, Your Honor, while I confess I am just as vague as you are on my accounting, if you will look at the last column it happens to make no dif-

*David Katz—For Respondent—Direct*

ference because in 1898 the company was earning eight per cent on its capital.

The Commissioner: I was not even looking at that column. It just struck me as a curious fluctuation there.

The Witness: There was a writeup and a write-down and the writeup and writedown were at variance, and we have attempted here, although as I said rather sketchily, we have attempted here to show fixed capital as nearly as we possibly could with the available data in each of these years.

By Mr. Miles:

Q. All of these sheets in this exhibit have been developed in the same manner, have they not, Mr. Katz? A. Yes, of course. The Merchants, I believe, we found to be available entirely from the record of the Merchants Light, Heat and Power Company.

Q. I understand that, but before answering that, which I was going to develop in my next question, what I am getting at is the basis of your information with respect to all of these companies if either from existing books and records as could be found or its minute books, whatever corporate records were available to you? A. Whatever available records there were, statements or otherwise.

Q. Now, referring to the last three sheets in the exhibit, there have been comparatively few adjustments made with respect to those companies, have there not? A. What sheets are you referring to? The last three sheets?

Q. Sheets 3, 4 and 5? A. Yes, very few.

Q. There were no adjustments made with respect to the Edison Electric Light Company, is that right? A. That is right.

Q. And you obtained all of your fixed capital figures here direct from their records and books? A. All the figures actually came from the books, yes, sir.

Q. Now, with respect to the next company, the Red Lion

*David Katz—For Respondent—Direct*

Electric Light Company, it had no books at all, is that right?

A. That is right.

Q. And from what source did you get the information included with respect to that company? A. Why, that information came from the minute books which indicated that this property was sold at sheriff sale; the property was acquired at sheriff sale for the amount of \$8,000.

Q. Now, the largest company, I believe, in the group is the Merchants Electric Light, Heat and Power Company, as shown on sheet 5. What did you find as to the state of its records?

A. The records relating to the Merchants Light, Heat and Power Company were complete for the period covered by this exhibit.

Q. And according to sheet 5 it failed to earn eight per cent for nine consecutive years, is that right? A. That is correct.

Q. And the last column on each sheet denotes the amount over or under eight per cent that the particular company earned in relation to its fixed capital account, is that right? A. That is right.

By the Commissioner:

Q. By the way, that Merchants Company, what happened to that company in 1906? Look at that tabulation of earnings: 1904, \$10,640; 1905, \$12,834; 1906, \$1,367; 1907, \$14,504. Did they just stop doing business in 1906, or what was that, do you know? A. No, I am sorry I can't give you any explanation of it.

Q. It looks somewhat strange there, doesn't it? A. I imagine operating expenses probably fluctuated very widely in small companies of that sort, and there was no basis for equalizing expenses.

Q. Are the earnings after operating expenses and before depreciation? A. That is earnings before depreciation and after operating expenses.

*David Katz—For Respondent—Cross*

By Mr. Miles:

Q. It is the same thing each year, the same formula? A. The same formula.

By the Commissioner:

Q. There seems to be a terrible drop into the bottom of the well there? A. In those earlier days, of course, expenditures were recorded, I mean were charged to operating expenses as they paid them, and not as they provided them. It was not on a gradual basis the way they are done today.

Mr. Miles: Your Honor, we offer in evidence the exhibit the witness has just been discussing and ask that it be received and marked as Respondent's Exhibit No. 17.

Mr. Miller: No objection.

Edison Light and Power Company determination of excess or deficiency of income of predecessor companies of the respondent based on a return of eight per cent applied to fixed capital and working capital investments produced and marked Respondent's Exhibit No. 17, E. E. M., 3/11-12/37.

The Commissioner: Exhibit No. 17 will be admitted to the record.

Mr. Miles: That concludes the examination of Mr. Katz.

Mr. Miller: I would like to defer cross examination of Mr. Katz except for two questions with respect to exhibit No. 14.

*Cross Examination*

By Mr. Miller:

Q. Mr. Katz, can you give me the break down of the figures for local and state taxes on lines 23 and 24 of sheet No. 1? A.

*Joseph E. Wayne—For Respondent—Direct*

I can have a schedule prepared for you. I have not that with me.

Q. Will you do that? A. That is for local and state taxes?

Q. Yes, the break down of those amounts. A. In what form would you wish those?

Q. How they were calculated, showing what the taxes were and on what basis they were calculated? A. Yes, I see. All right. You want all the information from which that figure was arrived at.

Q. Yes, those figures, local and state? A. I will see that they are furnished to you.

Mr. Miller: That is all with Mr. Katz at this time.

---

JOSEPH E. WAYNE, a witness called in behalf of the Respondent, being duly sworn, was examined and testified as follows on

*Direct Examination*

By Mr. Miles:

Q. Mr. Wayne, I hand you a booklet entitled, "First Mortgage York Company to Guaranty Trust and Safe Deposit Company of Philadelphia dated December 2, 1907, securing \$10,000, thirty year five per cent gold bonds, and the mortgage supplemental thereto dated November 30, 1931," all contained in one volume, and ask you whether that is a copy of the mortgage under which the presently outstanding bonds of York Railways Company were authenticated, delivered and sold?

Mr. Miller: What is the purpose of the question, Mr. Miles?

Mr. Miles: The purpose of the question is to have in evidence the security and collateral back of the bonds of



*Joseph E. Wayne—For Respondent—Direct*

the York Railways Company, including all of the outstanding stock of the Edison Light and Power Company.

Mr. Miller: Objected to as irrelevant and immaterial in this proceeding.

The Commissioner: I will sustain the objection and note an exception for the respondent.

Mr. Miles: May I make an offer of proof on the record?

The Commissioner: Certainly.

Mr. Miles: If Your Honor please, the respondent offers to prove that on December 2, 1907, York Railways Company entered into a mortgage trust indenture with the Guaranty Trust and Safe Deposit Company of Philadelphia, Tradesman's National Bank and Trust Company as Trustee, and thereafter put entirely in the supplemental indenture with the trustee dated November 30, 1931, and that there was hypothecated and pledged as principal collateral security for the payment of bonds authenticated and issued under these indentures all of the common stock of the Edison Light and Power Company and a note of a \$1,066,000 of the Edison Light and Power Company, and that there is now outstanding and maturing on December 2, 1937, approximately \$6,116,000 principal amount of bonds.

Mr. Miller: Objected to, Mr. Commissioner, as wholly irrelevant and immaterial to the determination of the reasonableness of rates published by the respondent company.

The Commissioner: Objection sustained; note an exception for the respondent.

By Mr. Miles:

Q. Mr. Wayne, are you the President of the Edison Light and Power Company and of the York Railways Company? A. Yes, sir.

*Joseph E. Wayne—For Respondent—Direct*

Q. And are you President of York Steam Heat Company and York Bus Company? A. I am.

Q. Are you familiar generally speaking with the operations and revenues of each of these four companies? A. I am.

Q. Are you familiar with the operating results of each of these four companies for the year 1936? A. Yes, sir.

Q. Will you state what is the gross income required in order to continue the operations of Edison Light and Power Company and its three affiliates as operated during the year 1936, assuming the indebtedness in the hands of the public remains the same?

Mr. Miller: Objected to as irrelevant in this proceeding.

The Commissioner: I will sustain the objection and note an exception to the respondent.

Mr. Miles: Will Your Honor permit me to propound six questions, all of which I assume will be objected to, and then I will make an offer?

The Commissioner: Let the questions be asked without an answer from the witness. It will save going through the same thing six times.

Mr. Miles: Following that I will make an offer.

By Mr. Miles:

Q. Mr. Wayne, how much was earned in 1936 resulting from the operations of the York Railways Company?

Mr. Miller: The same objection.

The Commissioner: The same ruling and the same exception.

By Mr. Miles:

Q. How much was earned in the year 1936 from the operations of the York Steam Heat Company?

*Joseph E. Wayne—For Respondent—Direct*

Mr. Miller: Objected to.

The Commissioner: The same ruling and the same exception.

By Mr. Miles:

Q. How much was earned in the year 1936 from the operations of the Edison Light and Power Company approximately?

A. \$647,000.

The Commissioner: That is on the basis of the tabulation shown in Exhibit No. 14, \$648,024.

Mr. Miles: As reported by the Company.

The Witness: As reported by the Company.

By the Commissioner:

Q. This is the exhibit that was presented by the witness for your Company? A. It is comparable with that figure, yes.

By Mr. Miles:

Q. Mr. Wayne, can you state how much the revenue of the Edison Light and Power Company could be reduced and leave sufficient combined income from the four companies to continue the operations of the four companies as operated during the year 1936, and paying interest on the bonds held by the public?

Mr. Miller: Objected to.

The Commissioner: Objection sustained; note an exception.

By Mr. Miles:

Q. Now, will you state, Mr. Wayne, if you can, what would be the effect upon the rate structure of the Edison Light and Power Company if its revenues were to be reduced by the sum of \$250,000 per annum? A. The rate structure which would be placed in effect by the Edison Light and Power Company involving a reduction of approximately \$250,000 per annum, if

*Joseph E. Wayne—For Respondent—Direct*

placed into effect, the residential lighting rates and commercial rates in York and vicinity would be lower than any probably in the state of Pennsylvania.

Q. I would like to ask you whether the Edison Light and Power Company has offered to reduce its revenues by the sum of \$250,000? A. The Edison Light and Power Company has offered to reduce its rates in the amount of \$250,000 annually.

Q. And that offer was refused by the Commission? A. Yes, sir.

By the Commissioner:

Q. For what reason, Mr. Wayne? Since we are opening up the question of what happened in informal conference with the Commission let us open it up wide, and see why it was refused. Why was that refused? A. There was no reason given to me, Your Honor, except through the statement of the chairman that the offer of \$250,000 was refused.

Q. You know perfectly well why it was refused, don't you, Mr. Wayne? You know the position the Commission took in the matter of the suggested reduction in the proceeding which was initiated by the Commission; you know what the position of the Commission was, don't you, in the conference? A. As to the reduction?

Q. Were you not told that the Commission felt that the reduction that should be made here should be at least \$450,000—I mean not you, but your Company? A. I believe that figure was mentioned at a conference.

Q. It was stated definitely that that was the Commission's position, isn't that so? A. My recollection was either \$400,000 or \$450,000.

Q. And the Company's offer of a lower amount of \$250,000 was refused, and the \$250,000 offer was refused on the ground that the Commission felt that it was not sufficiently near the amount that the Commission felt the rates should be reduced

# MICROCARD

TRADE MARK 

# 22



MICROCARD<sup>®</sup>  
EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON MICROCARD AND MICROFICHES  
901 TWENTY-SIXTH STREET, N.W., WASHINGTON, D.C. 20037, PHONE (202) 333-6393

3162

38-66



*Joseph E. Wayne—For Respondent—Direct*

to justify the Commission in accepting it in lieu of a rate case, isn't that so in essence? A. I presume that was the Commission's reason. Those are not the exact words given to me.

Q. They are not the exact words, but that is the essence of it? A. I presume that is the reason the Commission turned it down.

Mr. Miles: We are quite willing to accept Your Honor's statement of whatever the reason was.

The Commissioner: That was the reason.

By Mr. Miles:

Q. The fact remains the offer was refused, wasn't it? A. The offer was refused.

The Commissioner: It certainly was, and the statement for the purpose of this record that it produced lower rates than any place in Pennsylvania, I think we shall go into that a little further as the case goes on, but that has nothing to do with the fact that if you reduce your rates below those of any places in Pennsylvania anywhere, and still earn a larger amount than you should, you should reduce them still further.

Mr. Miles: That is a question of law.

The Commissioner: You are putting inferences in this record, Mr. Miles, and I don't know on what basis the witness makes the statement that the rates would be lower than any place in Pennsylvania. There is nothing in the record to substantiate that.

Mr. Miles: I asked him to testify what in his opinion would be the effect of the reduction, and he has stated his opinion of what the effect of that reduction would be.

The Commissioner: I would like to have him produce something on that line in evidence.



*Joseph E. Wayne—For Respondent—Direct*

Mr. Miles: Now, if Your Honor please, we offer to prove the following facts through this witness:

First, that the gross income required in order to permit continuance of the Edison Light and Power Company and its three affiliates as operated in 1936, assuming the indebtedness in the hands of the public to remain the same, would be \$430,000.

The Commissioner: Now, Mr. Miles, isn't that the same offer, the same matter on which you asked the witness questions and which was objected to?

Mr. Miles: Certainly. I am making an offer of what we would prove by it, in order that the record may be clear. I am quite frank about it.

The Commissioner: All right, go ahead.

Mr. Miles: Second, that the 1936 operations of the York Railways Company resulted in a net operating loss of \$425,000;

Third, that the operations of the York Steam Heat Company in the year 1936 produced a net operating income of \$33,000;

Fourth, that the net earnings of Edison Light and Power Company in 1936 were \$648,000;

Fifth, that the revenues of the Edison Light and Power Company could be reduced by the sum of \$250,000, and leave an amount sufficient to continue the operations of the four companies as operated in the year 1936;

Sixth, that the Edison Light and Power Company offered a reduction of \$250,000 in its revenues, feeling that any further offer would destroy the York companies.

Finally that the Commission, for reasons which have been stated in this record presumably by the Commissioner, refused that offer.

That is the offer of proof we make in the case.

The Commissioner: I don't think that is quite an exact statement, No. 4 and No. 6, namely, that the Edison

*Joseph E. Wayne—For Respondent—Direct*

Light and Power Company earned \$648,000, and No. 6, that the Edison Light and Power Company offered a reduction of \$250,000 in consideration of the Commission's dropping this proceeding, as admitted by the Commission. The \$648,000 statement is corroborated by an exhibit as to what a previous witness for the Company has testified, and that exhibit is in the record.

Mr. Miles: Your Honor, how are my statements incorrect?

The Commissioner: I thought you said that you offered to prove these various things, seven items altogether, and that the Commission had ruled against them. They didn't in those two cases.

Mr. Miller: We don't object to the fourth, sixth and seventh points.

Mr. Miles: I am simply trying here to make an offer of proof in the protection of my client, and for no other reason.

The Commissioner: I quite understand that.

Mr. Miles: We offer to show those facts.

The Commissioner: You are absolutely correct. You listed them numerically, and as to one, two, three, five and seven the Commission ruled that it would not sustain objections to presentation of evidence, as to four and six. I am trying to point out that the Commission did not refuse to admit evidence as to any earnings of the Edison Light and Power Company and it admits that the Edison Light and Power Company did make an offer of reduction of \$250,000, which the Commission refused for the purpose as stated. Subject to that correction you are exactly right.

Mr. Miles: Thank you, sir.

Mr. Miller: I believe you said that the seventh point of Mr. Miles would be refused. I make no objection

*Joseph E. Wayne—For Respondent—Direct*

to that, I believe it was his reference to your statement of the Commission's reason for the refusal of that offer.

The Commissioner: Perhaps I counted wrong. I think Mr. Miller probably is correct, there were only six specific items that you mentioned.

Mr. Miles: That is correct.

The Commissioner: I think there was a general resume, and the seventh would have been a general resume.

Mr. Miles: I was about to mention that the Company had offered to reduce its rates, and that a reduction of \$250,000 would in its opinion produce as low a rate structure as there was in the state of Pennsylvania.

Mr. Miller: Mr. Wayne has already answered that.

By the Commissioner:

Q. I would like to ask Mr. Wayne a question in connection with that \$250,000 offer which in his opinion would produce the lowest rates in Pennsylvania if it were put into effect. Do you think a regulatory body can approve or disapprove rates on the basis of comparison with other rates or on a basis of what that rate means as to earnings?

Mr. Miles: I am compelled to object to that question. I think that is a question of law, and I think it is one of the most vital matters in this case.

The Commissioner: I think when you go into a case like this, without any corroborating evidence of such an assumption by this witness, there is nothing in this record will bear that out, there is nothing before us as to this suggested rate offer.

Mr. Miles: It was objected to.

The Commissioner: I beg your pardon. That was not objected to.

Mr. Miles: You mean you will permit us to offer

*Joseph E. Wayne—For Respondent—Direct*

proof as to what would result from the \$250,000 reduction?

The Commissioner: I certainly would like to hear that proof. What the evidence as to any inter-relation of other companies has to do with the fact of whether or not a new rate structure offered by the Edison Light and Power Company gives the Electric Company users, consumers of the Edison Light and Power Company a lower or higher rate than anywhere else in Pennsylvania I fail to see.

Mr. Miles: I don't argue that. I do argue this, with the greatest deference to Your Honor, repeating our position throughout this case that under the circumstances peculiar to this situation, which have been made clear on this record, that there are legal authorities for the proposition that a rate of return should be allowed this company sufficient to prevent an absolute destruction of the Railway Company, and a six per cent rate of return will destroy that Railway Company, and that is a task which this Company is not going to undertake, unless compelled to do it by the Commission. Now, where the question of rates comes in, as we understand it, is this: If we were asking this Commission to permit a rate or return which would result in burdensome rates to the electric consumers than as we conceded our position would not be good, but if we can couple with that request and show that it would produce no burdensome rates, but the lowest rates in the state of Pennsylvania, we think it makes a marked legal difference in the conclusion of the Commission.

The Commissioner: I said if you have some corroboration of the fact that a reduction of \$250,000 will give the consumers of this Company the lowest rates in Pennsylvania, and that statement has been made on the record, I would like some substantiating evidence.

*Joseph E. Wayne—For Respondent—Cross*

Mr. Miles: All right, sir, we will attempt to substantiate it by the production of rates and the comparison with other companies.

The Commissioner: I think the ruling is clear as to the other offers you made, as to one, two, three and five.

by Mr. Miles:

Q. Now, Mr. Wayne, I hand you a copy of an exhibit which has been filed in evidence in this case, showing the allocation of payrolls between the York Railways Company and its affiliates, and ask you whether you examined that exhibit before its presentation? A. I did, yes.

Q. Now, does the exhibit accurately allocate the payment of salaries between various companies and the payment of insurance premiums expressed in both dollars and percentages? A. It does, yes, sir.

Q. Have you consulted with Mr. Katz as to how many of the employees that are now devoting their time to the joint operations of the Company could be dispensed with if the Edison Light and Power Company was divorced from its affiliations? A. I have, yes, sir.

Q. Did you hear his testimony with respect to the four employees that he mentioned? A. I did.

Q. Will you state whether or not his statement coincides with your views which I believe you have already testified you discussed with him? A. It does.

Q. Do you believe that any of the other employees or officers could properly be expected to accept any reduction in salaries if this company was divorced from its affiliates? A. No, sir, I don't.

*Cross Examination*

by Mr. Miller:

Q. Mr. Wayne, do you believe that a man who is managing one company is worth as much as a man who manages

five companies of different kinds and of different sizes? A. That depends entirely on the conditions. In my estimation the department heads and executives of any company are paid for their knowledge of the business, their efficiency in the management of the particular companies they operate. As to the second point, that has nothing to do with the compensation they receive. In times gone by when we took on additional companies the officers and department heads received no increase in salary; they simply assumed the additional duties at the same compensation.

Q. Then you would say that the executive or officer in charge of the operation of the Edison Light and Power Company should receive no additional compensation if he were also called upon to manage York Railways Company? A. I would say that would be entirely a managerial question as between the President and Directors of the company, just how it is to be handled.

Q. I am asking you your opinion.

(Last question read.)

A. The Edison Company officers don't receive any additional compensation for handling the affairs of the York Railways Company.

Q. Well, I take it that the present administrative officers—I believe you are President of both York Railways and the Edison Light and Power Company? A. That is correct.

Q. Now, suppose that you were President and executive officer only of the Edison Light and Power Company, and that you were called upon—and were managing only the Edison Light and Power Company—and you were called upon to take on in addition to that the management of the York Railways Company, would you not feel—

The Commissioner: Mr. Miller, I think that is an unfair question. Mr. Wayne has been, I take it, or some predecessor of his has been, President and General Man-



*Joseph E. Wayne—For Respondent—Cross*

ager of these two companies for a long time. There has not been any separation of these companies involved for a long time, has there, Mr. Wayne?

The Witness: I have been with the York Railways Company and affiliated companies for thirty years, and they have never been separated as to management.

The Commissioner: So there has never been a time since Mr. Wayne was President and General Manager, or that he was not President and General Manager of both, is that correct?

The Witness: Yes. -

The Commissioner: Therefore, an assumption that he was President and General Manager of Edison Light and Power Company and then was asked to take over York Railways Company, I don't think is a fair question.

By Mr. Miller:

Q. All right, Mr. Wayne, suppose York Railways Company and Edison Light and Power Company were divorced and you were called upon to manage only York Railways Company, would you feel a reduction in your salary would be fair? A. I think that is an unfair question.

Q. I don't. I think it is a perfectly proper question. A. I don't see why I should be asked to say what I would expect if I was called upon to manage York Railways Company alone.

Q. Now, you are testifying that if York Railways Company were divorced from Edison Light and Power Company you would not think a reduction in salary—you don't think that would be fair? A. For the same reason we took over the Glen Rock Electric Light, Heat and Power Company when we took over a number of other electric companies—

By the Commissioner:

Q. The fact of the matter is that essentially the majority of your service is devoted and has been to Edison Light and Power Company; isn't that so? A. That is correct.

*Joseph E. Wayne—For Respondent—Cross*

Q. And if we assume that the chart is correct— A. Well, it is.

Q. Over three-fourths of your time is marked on these sheets for Edison Light and Power Company, is that correct? A. That is correct.

The Commissioner: I am sorry, Mr. Miller, but it seems to me that the only proper way to approach that whole question is whether or not if one of these or all of these affiliates were divorced from Edison Light and Power Company, which is top dog in the picture, so to speak, it is not reasonable to presume that Mr. Wayne would of his own volition, at least, or any present management in this setup would choose to leave the Edison Light and Power Company to become head of only one of the underfactors in this situation. Edison Light and Power Company is the top in the setup, whether it is comparable in size and importance from Mr. Wayne's angle—I think your question as to whether he thinks it would be proper to reduce the salaries of himself and other administrative officers, if all the others or one of the others were divorced from Edison Light and Power Company, is not proper, and I think Mr. Wayne did answer that.

By the Commissioner:

Q. Did you not, Mr. Wayne? A. I think I did.

The Commissioner: That was the first question you asked him.

By Mr. Miller:

Q. Now, let me ask you, Mr. Wayne, this question whether you think that the services you render to the Glen Rock Electric Company are worth anything in addition to the services you

*Joseph E. Wayne—For Respondent—Cross*

render to the Edison Light and Power Company. A. Read that question.

(Last question read)

A. I would say that my services rendered to the Glen Rock Electric Light and Power Company are worth something to the Glen Rock Electric Light and Power Company and should be recognized in my total compensation.

Q. Shall I assume your answer would be the same to a similar question as to the York Railways Company? A. That is right.

Mr. Miles: He certainly is not going to admit that his services are worthless to anybody, I take it.

Mr. Miller: I hope not.

By Mr. Miles:

Q. Mr. Wayne, if the Edison Light and Power and York Railways were to be divorced by some process will you state whether or not the Edison Light and Power Company would require the use of all of the office facilities, the Market Street offices, that are now, I believe, used to some extent jointly by both companies? A. If the employees of the York Railways Company and the Bus Company and the Steam Heat Company could be taken out of the main office at 27 West Market Street, Edison Light and Power Company would still keep the entire building.

Q. Is it not a fact that the building is quite congested? A. The building is congested.

Q. Is the Edison Light and Power Company leasing additional space because of that condition? A. Yes, sir.

Q. Is the space which it leases less or more than the space which the other companies occupy? A. The additional space which is leased by the Edison Light and Power Company represents a larger area than that which is occupied in the main building that is the company's.

*Clarence A. Mitchell—For Respondent—Direct*

Mr. Miles: We have only one other witness, Your Honor, but that will take some little time.

The Commissioner: We will adjourn until nine thirty o'clock tomorrow morning.

---

Friday Morning, 9:30 o'clock, March 12, 1937.

CLARENCE A. MITCHELL, recalled.

*Direct Examination*

By Mr. Miles:

Q. Mr. Mitchell, I hand you a copy of Respondent's Exhibit No. 10, which has been admitted in evidence in this case, and which is an analysis of property used by the respondent owned by the York Railways Company. Will you refer to the second item of that exhibit relating to a right of way between Smyser's and Gitt's Run sub-station and state the expense if any, to which the York Railways Company and the respondent makes use of that right of way? A. That particular right of way is owned by the York Railways Company and used by the York Railways Company tracks and their feeder wires, and is also used by the Edison Light and Power Company for their transmission lines, and by the Metropolitan Edison Company for their transmission lines. The transmission lines of the Edison Light and Power Company are used jointly by the Railways Company for their feeders and the Edison Light and Power Company transmission conductors. The Metropolitan Edison Company transmission line is used solely by the Metropolitan Edison Company circuits.

Q. Now, does the use by any one of these three companies in any manner interfere with or impair the use of the other two for their respective purposes? A. No, sir, they don't interfere with the use of the other companies. As a matter of fact the

*Clarence A. Mitchell—For Respondent—Direct.*

pole lines of the Edison Light and Power Company and the York Railways Company and vice versa, the York Railways Company have poles on which the Edison Light and Power Company circuits are attached.

Q. Now, will you refer to the third item on the same Respondent's Exhibit No. 10, which has to do with the right of way between Violet Hill sub-station and Dallastown and tell us the extent to which that property is jointly used by the respondent and any one or more of the other companies? A. That property is used jointly by the York Railways Company and the Edison Light and Power Company. The York Railways Company has their tracks and feeder circuits. The Edison Light and Power Company have their transmission circuits on the same poles which are used jointly by the York Railways Company and the Edison Light and Power Company. In addition to that the York Railways Company has several stations, small stations on the route of the track right of way.

Q. Is there any interfering or conflict of use in that instance? A. No, sir, there is no interference. The two companies use the pole facilities for their circuits, the poles belonging to the Railways Company and the Edison Company.

Q. Now, will you refer to the first item on the exhibit which is described as poles on right of way between Violet Hill sub-station and Dallastown and tell us whether there is any joint use of those poles? A. Those poles on that particular right of way are owned by the Railways Company and are used jointly by the Railways and the Edison Companies.

Q. To what extent are they jointly used? A. Well, Edison Light and Power Company carries their transmission feeder, thirteen thousand volt circuit on these poles, and the same poles support the trolley feeders and the span wires for the Railways Company.

Q. Now, what about Item 6, described as poles on right of way between Smyser's and Gitt's Run sub-station? A. Those

*Clarence A. Mitchell—For Respondent—Direct*

poles are used in the same manner as the Red Lion-Violet Hill circuit, that is, the poles carry the Railways Company circuits and the span wires, and the Edison Light and Power transmission wires.

Q. Now, the last item I believe which involves any joint use is described in item 7 of the exhibit as trolley poles in York and various boroughs. What is the nature of that joint use?

A. The nature of that joint use is to carry the Edison Light and Power Company's distribution feeders, and street light circuits, and also the trolley feeders for the Railways Company and their span wire attachment.

Q. Mr. Mitchell, you have personally in this case investigated that part of the property of the respondent in particular that relates to these poles and distribution and transmission systems, have you not? A. Yes, sir.

Q. You are familiar with its depreciation and maintenance, and also with respect to that particular character of property? A. Yes, sir.

Q. Will you tell me what you would estimate as the percentage to be applied annually to the character of property described in items 4, 5, 6 and 7 of Respondent's Exhibit No. 10?

A. Item No. 4 would be a little different percentage than items 5, 6 and 7. Item No. 4 which deals with the conductors only, which is a common conductor, the annual depreciation and maintenance for that item would be between three and four percent.

Q. And what would be the annual percentage of depreciation for items 5, 6, and 7 on the exhibit? A. The annual charge for depreciation for items 5, 6 and 7 would be between five and six percent annually.

Q. Which would be applied against the cost or value of the property as carried on the Respondent's books, is that right? A. Yes, sir.

Mr. Miller: I would like to defer cross examination except for one question.



*Clarence A. Mitchell—For Respondent—Cross—Redirec*

*Cross Examination*

By Mr. Miller:

Q. Mr. Mitchell, do you know how much the Metropolitan Edison Company pays for the privilege of using the right of way or poles mentioned on line 2 of the exhibit? A. The Metropolitan Edison Company as I understand does not pay any rental for the use of those poles.

*Re-Direct Examination*

By Mr. Miles:

Q. Do you know of any corporate relationship between Metropolitan Edison Company and the Edison Light and Power Company? A. I know the purpose of that transmission line is to feed the customer of the Edison Light and Power Company.

Q. First answer the question, you don't know? A. No, sir.

Q. Now, tell us what you do know about the purposes of that particular transmission line? A. I know that at the present time the Metropolitan Edison Company don't pay any rental for those poles, but I believe there is an agreement that in case this customer is abandoned why the rental of \$2.00 a pole would be applied to the poles of Metropolitan Edison Company.

Q. Is that transmission line used for serving a customer of the Edison Light and Power Company? A. Yes.

Q. Then do you know the name of the customer? A. Gladtfelters Mills, I believe.

By the Commissioner:

Q. Paper Mills? A. Paper mills, yes.

Q. Spring Grove? A. Yes, sir.

Mr. Miller: Do I understand, that it is the Metropolitan Edison Company that uses the poles for trans-

*Clarence A. Mitchell—For Respondent—Redirect*

mission of current to Gladtfelters, or is it Edison Light and Power Company?

The Commissioner: Both.

By Mr. Miller:

Q. Do both companies serve Gladtfelters? A. Yes, sir.

The Commissioner: I don't think that is correct.

By the Commissioner:

Q. Are there any facilities of the York Railways Company or Edison Light and Power Company and the Metropolitan Edison Company on this right of way? A. Yes, sir.

Q. All three? A. Yes, sir.

Q. And the facility of the Metropolitan Edison Company is a transmission line that runs to the Gladtfelter Mills at Spring Grove, is that right? A. Yes, sir.

Q. But there is in addition to that a facility of the Edison Light and Power Company and in addition to that a transmission line of the Metropolitan Edison Company, is there not? A. Yes, sir.

By Mr. Miller:

Q. Now, are there three pole lines on the right of way? A. There are two pole lines on the right of way.

Q. One is the Metropolitan Edison Company pole line, exclusively, is that right? A. Yes, sir.

Q. And the other is used jointly by York Railways and the Edison Light and Power Company? A. Yes, sir.

*Theodore E. Seelye—For Respondent—Direct*

T. E. SEELYE, recalled.

*Direct Examination*

By Mr. Miller:

Q. Mr. Seelye, I believe with further study of Respondent's Exhibit No. 9 relating to the original cost of this property you and your colleagues discovered an error which you decide to have corrected in the record. Will you please state what the error is and the correction you desire to make? A. I would say in my statement rather than in the exhibit. In response to a question by counsel for the Commission I informed him that the original cost estimate submitted did not include the rotary converter in the central plant, which is property of the York Railways Company, and the transmission line which also is property of the York Railways Company. I found on leaving the stand that that had been included and the inventory excluded all of the assets of the Edison Light and Power Company. The correction will be approximately \$45,000, but I cannot give you the exact figure until we make sure that all the items have been accounted for.

By the Commissioner:

Q. That is \$45,000— A. Less.

Q. Of property owned by the York Railways Company? A. That is right.

Q. But used entirely by the Edison Light and Power Company, is that correct, that is, included in this original cost of Edison Light and Power Company? A. That is correct. The correct total would be \$4,969,000 instead of \$5,014,900, and I shall state that that figure we will properly include in the summary to make these adjustments so that we will have the correct figures at the next hearing.

Statement of George W. Thompson, Esq.

to Mr. Allen:

Q. That is the same time as that of January that is a  
 period in the 1st of Thompson's Business for 1871 & 72  
 at that is correct.

Q. Mr. George, I believe in writing or collecting as a part  
 your experience in connection with public affairs you stated  
 that you had had some considerable experience in the management  
 of such affairs, did you not? A. Yes, sir.

Q. I believe it has also been previously mentioned by you that  
 you were in charge of the entire management in this case? A.  
 Yes, sir.

Q. Now, will you state whether you have given attention  
 to what you regard as a necessary allowance for working  
 capital? A. Yes, sir.

Q. In the absence of the corporation. What is your estimate?  
 A. I don't think that a working capital is entirely a matter of  
 compensation as resulting in some sort of definite which  
 can be properly designated as working capital. I think working  
 capital is largely a matter of business judgment, and with the  
 and character of the corporation and in that direction, and with the  
 guidance of your compensation should be made the basis of the  
 working capital which I think that company should have, and  
 one and a half months of operating expenses plus material  
 and supplies, which in this instance were on hand, December  
 18, and the compensation on that basis estimated \$175,000. In  
 line with my previous statement, however, that there are some  
 sort of judgment, I think that this company should have a work-  
 ing capital of \$250,000.

Q. Which is about \$175,000 less than the total made up of a  
 month and a half operating expenses and the material and  
 supplies as indicated by the balance sheet position as of Decem-  
 ber 18, 1871? A. Yes, sir.

*Question: E. Dodge—For Inspection—Answer*

Q. Now, have you any opinion or judgment as to whether the corporation in this case, as you stated it, is entitled to any discount for what is generally considered as going concern value? A. Yes, sir.

Q. And what is your opinion relative to the propriety of awarding it a discount? A. In my consideration of the matter of going value of the South Boston Company, and a number of other similar matters which are related not only to going value, but also to the fair value of the property, measured as the market value and an independent valuing one to the other. That it is not the property of all the low going value has a low fair value, and on the other side, if it had a high going value it has a high fair value in comparison with the actual investment in physical property, so that these items which I have mentioned are properly related to both of these factors. I think that one of the important factors in the situation is the character of the territory which this company covers. It is highly industrialized, and it is industrialized with a wide diversity of business. It has a unique experience, I believe, in that the city of South, at any rate had no least failure during the recent depression. This is indicative of the character of the population, their well-being, and the ability of the territory to carry on under adverse circumstances, all of which raises very much the value of the property. Furthermore, the value of this company could be, according to the testimony which has been submitted, low in comparison with value in general, and the company can still earn a reasonable return under those circumstances. I think that that is a very important element in the value of any property, the fact that it can earn a reasonable return under present conditions. The efficiency of the management is as true as that it is of great importance, both to the company and to the public, and the condition of the property and character of the service. These things are related to each other. Obviously the condition of the property and character

*Theodore E. Seelye—For Respondent—Direct*

of the service is a reflection of the efficiency of the management, and I think that those things are of importance both to the consumers, to the company and to the stockholders. Another advantage which this company possesses due to fortuitous circumstances, but nevertheless possesses, is an available power supply, in satisfactory quantity from different sources. It has several large companies near to it from which it can purchase power, and it is now purchasing power at excellent rates. Another item of importance, and very important to the public is the capital structure of the company. The company has a low capitalization, it has no funded debt. It has outstanding in lieu of funded debt \$1,066,000 of notes, and quite obviously if those were changed to funded debt, the funded debt ratio would be very low indeed for a company of that size, and it has ample resources, therefore, to carry on its activities, and to meet the development of the territory.

The Superior Court in the Chambersburg Gas case pointed to the importance of the matter of lag in earnings, or otherwise the cost of obtaining business, as indicated by lag in earnings, as an important factor to be considered in the matter of determining going value. The particular circumstances of this company, made up of many constituent original companies go back to a time when accounting procedure was at least by comparison with present methods primitive in a business which was new to the people who were engaged in it, and therefore accounting methods had not been crystalized to take care of that particular kind of business. It, therefore, becomes difficult to determine the early lag in earnings. The problem is further complicated by the fact that it is a new business. For example, in the case of a water company, water companies have been in existence for centuries. When a new water company starts business there is a definite matter of obtaining business which is there, because people will always and always have been using water, but electricity at the time of these companies in the early days was a new thing, which very few used, or



*Theodore E. Seelye—For Respondent—Direct*

even thought they would ever use. It was considered first of all a matter of street lighting. Subsequently merely house lighting, and subsequently a multitude of uses. Therefore, the problem of building up business was an entirely different matter than what confronts any electric company today, or any other type of company.

These studies which Mr. Katz submitted were based on the use of eight percent return on fixed capital which could be determined from the books available of these companies in those early days. The eight percent return which he used was at my suggestion, and I think that probably it is on the low side. I say this very seriously, because only up to a few years ago this Commission allowed a seven percent return on utility properties, even in the advanced day when we knew what the business meant. The California Commission only recently dropped from eight percent to seven percent, and there have been many eight percent returns allowed by Commissions even since the days of regulation. These new companies started in business fifty years ago, just about, started into a strange field obviously through expectation that earnings would have to be in excess of eight percent to justify the pioneering which they were attempting to do, so I think that eight percent return which has been used as a basis for this computation is perfectly reasonable. Eight percent is a reasonable return, and it indicates for those companies, for which we have a complete record of property from the beginning a lag up to nine or ten years. To apply this directly to the present property of the Edison Light and Power Company becomes entirely a theoretical proposition, and I don't think it can be done in any specific computation that would mean anything.

Q. You mean by that, as I understand it, that you have to consider the lag in earnings, but you are not prepared to advise an application of whatever the percent of lag may be to the existing property of a given company? A. That is right.

*Theodore E. Seelye—For Respondent—Direct*

In accordance with the Superior Court's opinion, however, it is an indication of the existence of going value, and I think under the circumstances that is the maximum use which could be made of determination of lag in a completely changed business over the period of fifty years in the history of these companies. I think Mr. Reed early in the testimony submitted by the company testified with respect to the historical development of the company's property, the growth of the various companies and the equipment and property which they had installed from time to time as the properties were built up.

Q. Now, have you enumerated the only factors and considerations which enter into your judgment as to the allowance for going value in this case? A. Yes, sir, I have. I think that all of these matters are evidence of the existence of going value in this property, and it is my opinion, based on experience, which includes not only the operation of utility properties, experience in considering these matters in connection with rate litigation, but also in connection with the acquisition and sale of public utility properties, that this company has a going value of certainly not less than \$400,000. That figure is not a percentage of any figure, it's a sum of dollars.

Q. And it is an expression of a judgment based on your own experience with particular relationship to the various factors that you have suggested exist in this case? A. Yes, sir.

Mr. Miles: Now, Your Honor, I don't know what the practice before this Commission is as to the propriety of opinion evidence regarding fair value and rate of return. I rather assume, in view of certain questions propounded by Your Honor, in the very first day of the hearings in this case, when it was not my privilege to be here, that you had sought some suggestions from the respondent as to what it regards, or what its claim is for a rate base. If that is true, it necessarily involves opinion evidence as to fair value.

*Theodore E. Seelye—For Respondent—Direct*

The Commissioner: Certainly.

By the Commissioner:

Q. Mr. Seelye, this calculation based on a return of eight percent that was presented in Exhibit 17, that was at your direction, or with your knowledge? A. Yes.

Q. I admit I am not a Certified Public Accountant, and perhaps I don't understand these figures. Will you refer to sheet 1 of that exhibit in relation to the Peoples Electric Light Company? A. Yes, sir.

Q. I am curious as to how you calculate. As I understand it, "Fixed capital as recorded on the books," where there was any recorded on the books, next, "Adjustments" where there was no fixed capital recorded on the books, where anything could be found in the minute book, it was put in under that column? A. Yes.

Q. Then the "Adjusted fixed capital," then the, "Estimated working capital," and in column "E" adding together the adjusted fixed capital and the estimated working capital, that is correct, isn't it? A. That is right.

Q. Now, on what is the eight per cent applied, column "E"? A. Column "E".

Q. If the eight per cent is applied to column "E" I don't understand why the eight per cent on \$53,000 and \$55,000 should be \$5,000 in one case, \$5,500 in another case, and in another case on \$55,000, \$1,847? A. The reason for that, sir, is the fact that taken from the minute books there were no uniform periods of time. It is a question of dates. In the case of the \$1,847 it was only from April 30 to September 30.

Q. All right. A. That is part of the year, not a whole year.

Q. And the \$5,000 is for more than a year, and the \$5,500 is for more than a year? A. Yes, that is right.

The Commissioner: That is the explanation. All right.

*Theodore E. Seelye—For Respondent—Direct*

The Witness: I might say that I did attempt from this data to make a computation which might be illuminating for the purpose of determining lag on the existing property of the Edison Light and Power Company, basing that on a lower rate of return and using the average number of years, the lag as revealed by those computations, where they did reveal it, produced rather fantastic figures for going value, which were far beyond what I consider this company possesses in that respect. For that reason I don't think a determination of going value even under the conclusion of the Superior Court can be made.

By The Commissioner:

Q. This is true, Mr. Seelye, as to fixed capital in these early years, both in the Commission's exhibits or in your exhibits and the opinion of the company, there is a certain amount of judgment involved, the records are too haphazard or hazy to determine an exact figure either in the Commission's exhibits or yours? A. I don't think that is true of all of the companies.

Q. No, I don't say that, I say in some cases. A. Yes, I think that the ones which have any significance are the larger companies, that is, the Edison Light and Power Company on sheet 5 and the Edison Electric Light Company on Sheet 3.

Mr. Miles: I think what the Commissioner means, it is a fact, is it not, Mr. Seelye, that some of the records of some of the companies are rather vague and ambiguous.

The Commissioner: Whether they are small or large companies. Certain figures in here on adjusted fixed capital are to some degree at least a judgment figure.

The Witness: That is right, yes, they are judgment figures, they are not founded on information obtained.

*Theodore E. Seelye—For Respondent—Direct*

By the Commissioner:

Q. They are not exact? A. That is true.

By Mr. Miles:

Q. Now, Mr. Seelye, I should like you to state for the record, if you will, the opinion of Day and Zimmerman as to what constitutes fair value of the property of the Edison Light and Power Company used and useful in the public service on December 31, 1936, such opinion being based upon the investigation that you and your associates have made? A. Yes. May I take a moment to check a figure which I have here.

In considering the matter of fair value all matters which relate to going value must necessarily be considered at the same time. That is to say, these various elements of value which exist in the property. The company has submitted a reproduction cost estimate of \$5,572,000 for the used and useful property of the Edison Light and Power Company.

By the Commissioner:

Q. That is new? A. That is new.

Q. That is before depreciation? A. That is before depreciation. The reproduction cost as of November 30, 1936, new less accrued depreciation is \$4,950,600 in accordance with the exhibit. During the last several years there has been a continuous upward trend in price levels, and I think as a matter of common knowledge, subsequent to the preparation of this report there has been a considerable increase in important items in this property. For instance, the price of copper has advanced quite materially since that date, having advanced from less than twelve cents to now about fifteen cents. The general tendency for labor and materials to increase in general is a matter of every day knowledge. The original cost as prepared by the company in its estimate submitted indicated an investment by the company in property installed of \$4,969,000,

*Theodore E. Seelye—For Respondent—Direct*

which is a corrected figure. An original cost was submitted by the Commission as of June 30, 1936 in the amount of \$4,582,000, and a book cost was submitted by the company in the amount of \$4,578,000.

Q. What was that now? A. That was the book cost submitted by the company in Exhibit 11. We have a working capital of \$150,000, and the amount submitted by the Commission was an immaterial difference from this.

By Mr. Miles:

Q. Not a material difference. A. Not a material difference. As affecting the value of this property we have going value which in my judgment is not less than \$400,000 and in consideration of these matters it is my opinion that the fair value of this property is not less than \$5,500,000, including working capital and the consideration of going value.

Q. Now, Mr. Seelye, will you state what consideration you have given to the question of rate of return, and what conclusion or opinion has been reached by you and your associates with respect to that question? A. I believe that the matter of rate of return is one which affects individual property more or less under certain circumstances. I think in the case of the Edison Light and Power Company there are peculiar circumstances which should be considered in fixing the rate of return. The electric rate payer benefits definitely from the affiliation of the Electric Company with the Steam Heat and Railways Company. The Steam Heat Company purchases steam from the Edison Company which makes it possible for the Electric Company to maintain its standby electric plant at a relatively small cost for the protection of service in emergencies, as well as for its advantage in bargaining for purchasing power. This benefit is reflected in the earnings of the Electric Company through the charges which it makes to the Steam Heat Company for steam which it sells. Nevertheless, without the existence of the Steam Heat Company these charges would



*Theodore E. Seelye—For Respondent—Direct*

not be present. Furthermore, it may be that an entirely conjectural statement, however, Steam Heat Company in separate hands might bargain in a different way from the manner it is doing today under the same management. The Railways Company has shown by exhibits which have been submitted, furnishes to the Electric Company the use of facilities which had an original cost of about \$168,000, this is exclusive, of course, of the storage space which they use. Besides all these properties there are other facilities which the Electric Company gains in many minor ways. An example of that might be to point to the fact that two direct current customers of the company are fed from the central station over feeder lines of the Railways Company. For none of this service does Railways Company charge the Electric Company. It must be evident that the company or the group of companies which have the same offices, the same executives, the same general situations must obviously benefit each other in many ways, because they operated for the mutual benefit of the top stockholder, and therefore, whatever advantage can be gained in any one company is for the advantage for the ultimate group of properties, so that it must be evident that the maximum cooperation must exist between these companies to their mutual advantage.

The administrative staffs of the affiliated companies would undoubtedly have to be increased if they were not operated jointly. I think that the arrangement whereby the Edison Light and Power Company bills the affiliated companies for a portion of the administrative expense for the services of individuals who can look after part of the work on each one of these companies, instead of duplicating their service in whole in the individual companies themselves is a considerable saving, not only to the Edison Light and Power Company, but to all of the companies in the group. Furthermore, Railways Company is a customer of the Edison Light and Power Company in the purchase of electricity, and according to testimony and exhibits in the record the Electric Company derives a profit, exclusive of overhead charges and administrative expenses that

*Theodore E. Seelye—For Respondent—Direct*

it would not have if the business were lost, a profit of more than \$15,000 a year. These matters are all of great advantage to the electric customers, since if the Electric Company return is inadequate to permit a continuance of the present affiliation the Electric Company would be called on to make capital expenditures, to increase its operating expenses, and depending upon the character of the separation of interests would lose that business which it now has on a profitable basis.

By the Commissioner:

Q. What do you mean by Edison Light and Power Company being permitted to earn a rate of return which is adequate to continue the present affiliation between these companies? What do you mean by that? A. I mean by that that if the Edison Light and Power Company were considered entirely without reference to these affiliated advantages its property taken solely by itself, and the rate of return in accordance with the Commission's order now in existence fixed at six per cent, that the circumstances are such that the operation of these companies under their present arrangement could not be continued.

Q. That is what I would like you to show, what do you mean by that? A. I think I will make that clear in a minute, Your Honor.

Q. All right. A. If that should happen the operating expenses of the Electric Company would be increased, and it would be required to make capital investments either through acquisition of facilities which it now uses belonging to other companies or by building the facilities to take the place of those facilities.

Q. Or by paying a rental? A. Or by paying a rental for the use of them. In the light of these things it would appear that the Electric customers neither gain nor lose depending upon the way in which the matter is handled. That is to say, if the company is allowed a return which recognizes these factors Electric Company's electric customers will pay for it through that increased return and the other facilities will con-

*Theodore E. Seelye—For Respondent—Direct*

tinue to operate at least as they are until such change might take place that would change the status of the situation. If the rate of return is made lower and does not recognize these factors then the Electric Company customers will have to pay it through increased operating expenses, through a return on increased investment, and perhaps through loss of business, loss of revenue from certain directions and sources, so that in the net result it is immaterial to the electric customers, but of great importance to the community.

Q. Mr. Seelye, you discussed the relation between the companies and the benefits that each gets from the relation with the other, but as a matter of fact you have not touched on the essential reason why apparently it is necessary to maintain a rate of return higher than that allowed by the Commission in every case for the last few years, namely, the necessity for the Edison Light and Power Company to assist in carrying the charges on the bond issue of the York Railways Company, isn't that correct? A. No, sir, I don't believe it is.

The Commissioner: Hasn't that been stated as a part of this case?

Mr. Miles: Not to my knowledge, sir, not your last observation.

If Your Honor will permit me to refresh your memory, we offered to produce testimony as to the plan which the management had for continuing this situation, and that offer was denied.

The Commissioner: Isn't it your contention that the York Railways Company is not in position to refinance its bond issue if it stands by itself?

Mr. Miles: Undoubtedly, but not the last point. There is quite a difference between the two.

The Commissioner: Is that so, the York Railways Company is not in position to refinance its bond issue if it is standing by itself?

*Theodore E. Seelye—For Respondent—Direct*

The Witness: I don't think it could.

Mr. Miles: No company could that is in the red \$125,000 a year.

By the Commissioner:

Q. Mr. Seelye, may I ask you this, I don't want to cut you off, but I would like to have you answer this question: If in your opinion the fair value for this property is \$5,500,000, as you arrived at it, I believe in your discussion. A. Yes.

Q. Then what do you think the net return is which this company is entitled to? A. Seven and a half per cent.

Q. On \$5,500,000? A. Yes sir.

Q. Which is \$402,000? A. \$412,000, I think.

Q. Yes, \$412,000. Now, the Company's net operating earnings as shown in Exhibit No. 14 are \$648,000 in 1936, were they not, and then on Exhibit 15 that was adjusted to reduce it according to the theory of the company, or the theory of Day and Zimmerman to \$608,000? A. Yes sir.

Q. So that on the basis of \$648,000, accepting your fair value and accepting your suggestion of a seven and a half per cent return there would be an excess of \$236,000, or under your adjusted capitalization an excess of \$196,000? A. It would not be on the adjusted calculation, because the adjusted calculation, and all the other calculations were made for the purpose of indicating the advantages which this company secured by reason of its present operating arrangement. It is on the basis of the \$648,000 actual net revenue for 1936.

Q. On the basis of \$648,000 then there would be an excess of \$236,000, would there not? A. Yes sir, about that.

Q. According to the testimony yesterday there was an offer of, I believe, \$240,000 of a reduction made by this company?

Mr. Miles: \$250,000.

The Commissioner: Well, \$250,000. You have heard that testimony.

*Theodore E. Seelye—For Respondent—Direct*

The Witness: Yes, I have.

By the Commissioner:

Q. I suppose on that general theory that would bring that down to a seven and a half per cent return? A. Exactly, yes.

Q. It would bring that down to exactly a seven and a half per cent return based on your best judgment of the fair value of five and half million dollars? A. Yes sir, that is right.

By Mr. Miles:

Q. Now, you didn't mean to imply in your last answer that the only reason the management offered a reduction of \$250,000 was because it was based on a calculation of seven and a half per cent on \$5,500,000?

The Commissioner: I didn't imply that. I said it came to approximately that figure.

Mr. Miles: That is true, and I think that is what Mr. Seelye wanted to say.

By the Commissioner:

Q. That calculation had not at that time been made? A. That is right.

Mr. Miller: I have no cross-examination at this time.

By Mr. Miles:

Q. Mr. Seelye, at the time that the offer of the \$250,000 reduction in revenue was made, Day and Zimmerman had by no means completed its investigation? A. No, they had not.

Q. And were Day and Zimmerman in any way consulted with respect to that closed offer? A. No, sir.

Q. That was a matter that came to their knowledge after they were in the case? A. Yes. If there is any question with respect to that matter, I may say that as a matter of coincidence or consequence of events it was only two nights ago that I

*Theodore E. Sledge—For Respondent—Direct*

expressed an opinion in this matter, and it was at that time that a computation was made by the company officials who said, "That is just about what we offered."

Mr. Miles: You, I didn't want any implication that Day and Zimmermann had started it.

The Commissioner: There was none intended, I assure you.

Mr. Miles: Now, Your Honor, with one qualification the respondent rests. We would like to have the privilege, if we care to exercise it, of putting a real estate expert from York on the stand whom we could not have available today.

The Commissioner: For the purpose of developing the value of what?

Mr. Miles: For the purpose solely of testifying, and I will say quite frankly, we have not been able to get in touch with him, for the purpose of testifying as to the propriety of the rental values contained in Respondent's Exhibit No. 10.

The Commissioner: That is rental for storage space at fifty cents a square foot as testified to by Mr. Reed. I think there is no objection to that.

Mr. Miller: No.

The Commissioner: Then the understanding is that the respondent rests with the qualification that it is privileged to place on the stand a real estate expert or experts for the purpose of developing evidence as to the rental values to conform to Exhibit No. 10.

Mr. Miles: And, of course, with the further qualification, if we discover any error in our exhibits we will correct them, and that we will have the privilege of offering rebuttal testimony if it becomes necessary.



*Clarence A. Mitchell—For Respondent—Cross*

CLARENCE A. MITCHELL, recalled.

*Cross Examination*

By Mr. Miller:

Q. Mr. Mitchell, referring to Respondent's exhibit No. 2, page 66, Account 239 rights of way, what is the length of the right of way involved there?

The Commissioner: What page, Mr. Miller?

Mr. Miller: Page 66.

The Witness: In account 239 rights of way pertaining to transmission system, the estimate for those rights of way is for the right of way necessary on the Red Lion No. 2 circuit from the East End sub-station to Red Lion sub-station. The distance of that line is 7.38 miles.

By the Commissioner:

Q. Before we go any further with this matter, Mr. Mitchell, there is no—rather putting it this way: There are other factors in this complete report, Exhibit No. 2 which give the circumstances in connection with the right of way on this same joint, are there not, in addition to the transmission system right of way? A. No, this is the only one.

Q. What I am trying to get at is where you have a right of way between Smyser's and Gitt's Run on that Exhibit No. 10 you have got one right of way of 13 miles and one right of way of 4.42 miles, the right of way as paid for by the Edison Light and Power Company has no relation to these two figures, has it? No, sir.

Q. Because those rights of way are owned by the York Railways Company? A. That is true.

Q. Are there any figures in Exhibit 2 that apply in any way to those rights of way, there are, are there not? A. Yes, sir, they are owned solely by the Edison Light and Power Company.

*Clarence A. Mitchell—For Respondent—Cross*

By Mr. Miller:

Q. Will you give me the breakdown of your figure of \$1267 in the item of acquisition of rights of way, tree trimming permission and cost of recording easements? A. That figure of \$1276 used in our reproduction cost estimate was not an estimate. We secured that figure from the Company's books, and since our investigation into the original cost estimate we found that this figure of \$1276 is understated by approximately \$1200 due to the fact of a misunderstanding between Mr. Steese and myself as to this figure that he gave me on the cost of that right of way. Due to the fact that it was such a small sum of money we didn't think it was necessary to hire an expert to go out and make an estimate, we just used the Company's cost on that, which as I said is low.

By Mr. Miles:

Q. You mean their cost was approximately \$2400 instead of \$1200? A. As I testified the cost originally I think of that land was around \$2300.

By Mr. Miller:

Q. Now, can you give me the proper amounts for acquisition of right of way, tree trimming permission and the cost of recording easements? A. They come from the original cost estimate.

The Commissioner: I think that the witness just testified that the actual facts were that the amounts were considerably greater than recorded in this exhibit.

Mr. Miller: That is correct.

Mr. Miles: Are you asking him now to make an estimate of the reproduction cost of these things, or the actual cost experience of the company.

Mr. Miller: Well, I want the break down of the total figure. He says now that he knows that the books show—

*Clarence A. Mitchell—For Respondent—Cross.*

that the actual cost was approximately twice as much as this, and I want him to tell me what the books show as to the various items.

Mr. Miles: You want a break down of original cost and not reproduction cost.

Mr. Miller: That is right.

Mr. Miles: That is what I wanted to get at.

The Commissioner: You don't want a break down of \$1276.

Mr. Miller: No, that is an incorrect figure on original cost.

The Commissioner: I don't understand that it is an incorrect figure at all. I understand that the reproduction cost as estimated is \$1276, that the actual experience of the company in that particular work at that time was almost twice as much.

Mr. Miller: I want a break down on the \$1276 then, first.

The Commissioner: In fairness to the company it should be noted that this is not an incorrect figure in an estimate of reproduction cost. A company might spend ten times as much on the property as it should, but in a reproduction cost you would estimate what the company can properly spend on such a piece of work.

Mr. Miles: It may for instance be held up in getting a right of way which frequently happens.

The Commissioner: It would not enter into a calculation of reproduction cost.

Mr. Miller: But the witness himself said it was a mistake, Mr. Commissioner, that he based his judgment to get this figure of \$1276 on information which was given him which he found later was incorrect. I don't impute any bad motive to the witness, it was just a mistake, and it is a mistaken figure.

*Clarence A. Mitchell—For Respondent—Cross*

What I would like to have is what the various items are that go to make up the total figure, and if Mr. Mitchell wants to correct his figure of \$1276 I am perfectly willing to have him do it.

The Commissioner: Mr. Miller, I am not going to try to curb your cross examination, but I cannot for the life of me see what particular interest it is to the Commission to have in a reproduction cost estimate of a company a figure raised from \$1276 to \$2300.

Mr. Miller: Because what we want is the facts, Mr. Commissioner, and the witness has explained that that figure is a mistake, is an error.

The Commissioner: I am sorry, but I don't understand it in a reproduction cost estimate.

The Witness: I would like to correct that statement. I didn't intend to say that that figure was an error, I said there was a misunderstanding in that figure. I thought I was getting the entire cost from Mr. Steese for the right of way, that was the misunderstanding. I find that it only included the actual cost of the right of way, it didn't include the cost of acquisition. I have taken care of the cost of acquisition in my percentages, my poles and fixtures account and my wire account. I set up the right amount in the overhead, direct engineering and supervision accounts.

By Mr. Miller:

Q. All right, then, will you give me the break down of the items in your figure of \$1276? A. I don't have a break down of the \$1276. That was merely given to me as a lump sum figure to represent the cost of the right of way and the cost of recording.

*Clarence A. Mitchell—For Respondent—Cross*

By the Commissioner:

Q. These figures are all recorded somewhere, and they were the actual cost? A. Yes, we can secure all that.

The Commissioner: That is what you want.

The Witness: In fact I have it on the original cost, I can give you the expenditures by months, what it actually cost, which will be around \$2400. So far as my estimate is concerned I think that the figure is a reasonable amount to pay for right of way in that territory.

By Mr. Miller:

Q. What I want to know is how you arrive at the figure of \$1276 as including the acquisition of rights of way, permission to trim trees when necessary, including the cost of recording such easement as indicated on that exhibit.

Mr. Miles: May I make an effort to clarify this?

By Mr. Miles:

Q. Mr. Mitchell, isn't this a correct statement that I am going to make to the Commission: I understand when the witness came to this item he felt that it was such a small thing as not to justify the employment of some assessor to go out and make an estimate of what it would cost to reproduce this right of way. He therefore asked the company what their books showed it actually did cost and through a misunderstanding between Mr. Steese and himself Mr. Mitchell set the figure up at \$1276 when it was in fact \$2900.

The Commissioner: \$2300.

The Witness: Approximately \$2400.

Mr. Miller: We will get the break down of that when we come to original cost. We will leave it for the present.

The Commissioner declared a recess of five minutes.

*Clarence A. Mitchell—For Respondent—Cross*

## AFTER RECESS

CLARENCE A. MITCHELL, recalled.

*Cross Examination*

By Mr. Miller:

Q. Mr. Mitchell, referring to page 103 of Account 242, will you tell me how the pole classification was determined in the field when you made the inventory? A. When we made the inventory we made no effort to determine other than by actual inspection of the classification, because it is practically impossible to determine the exact classification by any measurements in the field, unless you actually measure the tops and the butts at the ground line, and we have devised a method which is much simpler, and we think gives us better results. Our method for determining the classification of the poles is to take the poles as pictured by the company over a period of ten years, and taking a weighted average of those classifications as to price, and from that weighted average we determined the price of a thirty-five foot cedar pole regardless of class. I might say that in order to determine this class we selected some 16,000 poles direct from purchase orders of the classes that the company had actually been purchasing so that we know that the prices that we have used here represent the actual classes that are in the field.

Q. Do you know whether the chestnut poles shown on page 103 were butt treated or not? A. Yes, sir.

Q. That was the classification on which you obtained the price, is that correct? A. Yes, sir.

Q. From whom did you obtain quotations on the chestnut poles? A. On the chestnut poles we obtained our quotations from the Preserved Wood Incorporated, Washington Court House, Ohio. That was the same firm that is now supplying the Edison Light and Power Company with their chestnut poles. To check our prices received on that quotation we



*Clarence A. Mitchell—For Respondent—Cross*

secured prices from the Piedmont Pole and Tie Company in Virginia, Staunton, Virginia.

Q. And on what pole classifications did you obtain prices, chestnut pole classifications? A. We obtained prices on chestnut poles for the following classifications: Class 1, class 2, class 3, class 4, class 5, class 6 for the various heights ranging from 25 feet to 60 feet, for these various classes.

Q. And on what classifications of cedar poles did you secure quotations? A. We secured quotations on western red cedar poles, on sizes from 20 feet to 60 feet inclusive, and class 1 to class 6 inclusive.

Q. Now, how from that price information did you arrive at the figure shown on page 103, taking a 45 foot cedar pole for example. A. This will take just a little time to follow that straight through for you, but in general I can tell you that we arrived at the unit prices of material for a 45 foot cedar pole, which is \$19.42 for the material f.o.b. York, Pennsylvania.

Q. And what is that based on? A. \$19.42 is based on a weighted average of the two classifications that the company has been purchasing during the past ten years. In other words, I selected from the quotation a price for a class 2 pole, and took the number of classes and the poles that the company had purchased in the past ten years, and I selected from the quotation a price for class 3 poles that the company had been purchasing and applied that to the figure that the company had purchased during the past ten years, and that gave me a weighted average price on a 45 foot pole, which is \$19.42.

Q. Now, we have the pole f.o.b. York. Will you give me any further amounts which entered into your cost of the pole installed? A. Yes sir. We have the labor for installation which is broken down into three operations. We have the equipment costs for that pole, which is a break down of three operations, then we have the direct engineering and field office supervision which is applied against the total of that pole in place

*Clarence A. Mitchell—For Respondent—Cross*

to arrive at a total unit price in place of a 45 foot western red cedar pole.

Q. How did you arrive at the equipment cost in connection with that? A. The break down for equipment for that particular pole?

Q. Yes. A. For instance, unloading, stacking the poles, we have allowed 17 cents a pole; for the distribution of poles we have allowed \$1.07; for digging holes and setting a 45 foot pole in question is \$1.65; giving a total equipment charge against that 45 foot pole, western red cedar of \$2.89.

Q. How did you get your figure of \$1.65 for digging holes and setting those poles in the equipment cost? A. First, in the excavation of holes by hand we have estimated two hours per day, at \$2.00 per hour for a truck which is \$4.00 per day equipment charge against this crew which is excavating holes. A crew consists of one labor foreman and ten laborers and a truck driver of two hours. This truck is used to transport the men out to the various pole locations and transport them up and down the right of way, and transport their poles. That is a \$4.00 item for the excavation by hand. Now, in setting the poles we have a three and a half ton truck equipped with a wench, pole derrick which we have estimated at nine hours at \$2.50, or a total cost of \$22.50 per day, and the number of poles that a crew consisting of one line foreman, one lineman first class, and a lineman second class, one ground man, three laborers and one truck driver. With this truck that crew will dig, backfill and tamp in the following holes per day: For instance, a 45 foot pole that crew will install eighteen per day, which mathematically gives you a unit price for equipment of \$1.25 per pole. Then for machine digging, where we use machines for digging holes and setting poles we have a crew set up and the equipment on this machine, combination pole digger and setting machine, nine hours, \$3.00 an hour, \$27.00 a day for a 45 foot pole, it will average sixteen poles per day or the equivalent equipment cost per unit for a 45 foot pole of \$1.69. Then by taking those

*Clarence A. Mitchell—For Respondent—Cross*

figures I arrive at a weighted average of digging holes, setting poles by hand operation and by machine operation based on a percentage of 25 per cent of all the holes to be excavated and poles set by hand operation and 75 per cent by machine operation, and by working out this weighted average on the hand operation cost and the machine operation cost for the equipment only we arrive at a figure of \$1.65 for a 45 foot western red cedar pole.

Q. How do you arrive at your \$1.07 figure for distribution?

A. Distribution we have a crew set up, one material foreman, one material checker, one laborer and the truck driver. With this crew we have a three and a half ton truck with trailer, which we have estimated at \$22.50 per day. This above crew will haul to site and unload the following per day: On a 45 foot pole they will haul an average of 21 poles per day, which gives an average cost of the equipment only of \$1.07 per pole, for that 45 foot western red cedar pole. Now, that is based on this crew on an average carrying 7 poles per trip, making three trips per day, giving us 21 poles total average, and that takes care of your long hauls and short hauls and cross country work, and in my experience why that is the operation that is required to deliver that many poles.

Q. Will you give me the labor installation costs? A. In the same manner as the equipment?

Q. Just to the money. A. For the 45 foot pole, western red cedar, labor for unloading and stacking is 35 cents per pole; labor for distribution of poles 75 cents per pole; digging holes and setting poles is \$3.43 per pole, giving a total of \$4.51, is the total labor for that 45 foot western red cedar pole.

Q. Now, is there any other additional item which should be added to the \$19.42 the equipment cost and the labor cost to give the cost of the pole in place? A. To the total of the material of labor and equipment cost which in this instance for the 45 foot western red cedar pole is \$26.82, to that figure we have

*Clarence A. Mitchell—For Respondent—Cross*

added a percentage of 12 per cent to cover direct engineering field office supervision, which in this case is \$3.22, making the total cost of the 45 foot pole in place with the direct engineering and supervision expense applied of \$30.04.

Q. Now, turn to page 119, Account 245, underground conduits on page 120 in that account you have made an allowance for paving. Was the paving actually in place before the underground conduits were laid? A. Yes sir.

Q. How do you know that? A. We get that from our original cost setup, and of course, we knew that at the time we prepared this estimate, and we verified that, the exact amount of money involved in the investigation of the original cost. /

Q. Did you observe the conditions of the conduit laid underground? A. Observed the condition of the conduit, no sir, only in the manholes where they terminate in the manholes.

Q. You could not see very far from the manholes, could you? A. No sir.

By the Commissioner:

Q. You didn't tear up the streets? A. No, sir. We didn't make any physical inspection of the underground conduits.

By Mr. Miller:

Q. How did you determine the percent of condition then? A. Due to the fact that it was a recent installation, brand new practically, only installed about five years, the materials and the specifications were of the best type, and deterioration of that property is very very slow, and naturally it takes a very high percentage of condition. It is quite adequate, considering the use of the system and the newness of it, naturally it carried a high degree of condition.

Q. That would be about 1 per cent deterioration per year, wouldn't it, if it had been in there five years? A. That so happens, but that was not figured out on an annual rate. In other words, I was convinced from the operating records and so on

*Clarence A. Mitchell—For Respondent—Cross*

that two years from now that particular piece of property may be in just as good condition as it is today if it is properly maintained, so that it would not be necessary to take a yearly depreciation.

Q. Did your accrued depreciation estimate include consideration of obsolescence? A. Yes, sir.

Q. And based upon your observed method of determining accrued depreciation how would you arrive at an annual depreciation allowance? A. Well, you would have to consider the obsolescence, the inadequacy and the nature of the design or the specifications under which the equipment was designed, and arrive at a fair yearly depreciation by considering these items, and might try to make some attempt as to visualizing, if it was possible, at what future time it would require replacement of certain items. That is practically impossible to figure however, but you do give it some consideration, very minor. As I say you have to in using your percentage annually, consider the same elements as I have outlined, namely, adequacy, obsolescence and the degree of maintenance that is being applied to the property. That is a major item, the amount of maintenance each year spent on the property as to its yearly depreciation. If you are accumulating a little deferred maintenance each year the depreciation should be greater annually, and if you are maintaining the property in first class condition depreciation naturally is smaller per annum.

Q. Now, could the method you use in determining accrued depreciation be used to calculate annual depreciation allowance?

A. Yes, I think I could do that.

Q. So that your computation of annual depreciation would bear the same relation to your accrued depreciation? A. Yes sir, it would.

Q. Now, you testified that you took into consideration in determining the accrued depreciation, obsolescence and inadequacy in relation to underground conduits, what obsolescence or inadequacy is there in those conduits? A. Well, there is not



*Clarence A. Mitchell—For Respondent—Cross*

any now. In other words, the conduit system as built is certainly adequate to take care of the present needs, and I also studied it for over-adequacy, take care of the future. I don't think it is over-adequate. There is certainly no obsolescence to speak of since this system is practically brand new, and for that reason as I say we gave it a high percentage of condition.

Q. Now, take the four inch conduit, six holes, is that, high, and four wide—at any rate we will read it as it appears here, take the four inch conduit, six wide and four high, can you give me the break down of your figures on that?

The Commissioner: That is the fifth item?

Mr. Miller: Yes.

By the Commissioner:

Q. What is six wide and four high? A. That is the formation of the duct, it is six ducts wide and four high, making twenty-four in the formation. The figure of \$1178 on page 119, Account 245 underground conduit was arrived at by setting up a unit price for the fiber, and to that adding labor installation, and the field office and supervision expenses, and multiplying the unit by the total of 207 feet gives us \$1178.

Q. Will you give me the amounts of those items? A. The material of four inch duct per lineal foot is .113 dollars per foot; field office and supervision expenses applied against that is 20 per cent, which gives a total cost of .1266 dollars per foot for the four inch duct delivered to York. To that we have hauling and stringing .0048 dollars per foot; we have laying duct plus concrete envelope, that is .0343 dollars per foot, giving a total of \$1657 dollars per foot on four inch duct.

Q. Now, take the figure of 662 cubic yards of excavation \$2138, will you give me the break down on that, on the same page, 119? A. Excavation for trenching is made up by estimating a crew and foreman which gives a daily cost of \$54.84.



*Clarence A. Mitchell—For Respondent—Cross*

Q. How many were in the crew? A. Fifteen laborers, eight hours per day at 43 cents per hour and one foreman half time, four hours per day at 81 cents. In other words, this foreman would spend half of his time on other operations. The above crew will excavate an average of 45 cubic yards per day, giving an average of .122 for excavation. To that we add 12 per cent for field office and supervision arriving at a total cubic yard unit of \$1.37.

Q. How much was that figure per cubic yard, and excavating? A. For trenching was \$1.37.

Q. Now, there are 662 cubic yards, and the amount of cost is \$2138?

The Commissioner: That is about three and a half—considerably over three?

The Witness: That was just for the labor for excavation. Now, we having shoring in addition, we have a total of 3.23 for excavation including shoring.

By Mr. Miller:

Q. How deep is the trench? A. That runs, I believe, from five to ten feet in depth. I can give you the actual depths. I don't have them right here with me now.

Q. Do you know what proportion is six foot trenching?

The Commissioner: That is six feet in depth.

Mr. Miller: Yes, six feet in depth.

The Witness: I don't know the exact proportion at this time. I can furnish that at a later time; it can be calculated from my notes.

By Mr. Miller:

Q. I would like to have that. You wouldn't need shoring in a six foot depth trench, would you? A. Yes, sir. we have shoring in all the trenches.

Q. How wide is the trench? A. Approximately it runs from

*Clarence A. Mitchell—For Respondent—Cross*

two to three feet in width. We found it is much cheaper to insure our workmen by shoring the excavations, especially through city streets, than it is to eliminate the shoring and take chances of cave-ins.

Q. Now, did you figure machine costs on this excavation?

A. No, sir.

Q. Why? A. Well, for the small amount of trenching it was cheaper to excavate by hand than it would be to invest in a machine, or even try to rent a machine, and it is not very satisfactory in the main streets of a town.

Q. Are these underground conduits laid in the central part of the city of York? A. They are laid in the block around the central generating station. They are on Railroad Street, on Philadelphia Street and Park Alley.

Q. Now, will you give me the break down on the back filling cost, the figure in the next line on the same page? A. Back filling, including tamping, we set up the same crew, fifteen men, one foreman part time, total cost per day \$54.84. The crew will back fill and tamp in an average of 70 cubic yards per day, or a unit price of 78 cents per cubic yard, to which we add field office and supervision, 12 per cent, arriving at 87 cents a cubic yard for back filling.

Q. Did you consider the possibility of flushing instead of tamping? A. No, sir, on this small operation, small job, a straight labor operation would probably work out much better. In my opinion it would work out better than setting up something out of the ordinary to handle such a small amount of work.

Q. Now, take the manholes. Will you give me—

By the Commissioner:

Q. Were these conduits placed in streets that were already paved before the conduits were put in? A. Yes, sir.

Q. Who paid for the repaving of the streets? A. The Edison Company.

*Clarence A. Mitchell—For Respondent—Cross*

Q. Is that covered here? A. Yes, sir.

By Mr. Miller:

Q. Will you give me the break down on the cost of a man-hole? A. The cost of a manhole is made up as follows: By taking the total labor material and equipment for all of the manholes involved and adding a percentage of 12 per cent, arriving at a total cost of \$338.70 for an average of each manhole. These manholes are made up of materials—in other words, we had excavation, back filling, concrete roof, concrete walls, brick walls, manhole covers and frames are all included in the unit price for material.

Q. At what price? A. For instance, concrete material prices are based on using ready mixed concrete at \$7.25 per cubic yard delivered.

Q. Will you tell me where you obtained these prices as you give them? A. The price of \$7.25 I didn't personally obtain. Under Mr. Reed's direction the building department secured that price, and they have the information on that. I merely secured that from Mr. Reed. However, we do have the backup for that unit price. Our labor for excavation of manholes, we have a crew set up of four laborers, one foreman, a quarter of his time, giving a total daily cost of this crew of \$15.38, and this crew will excavate an average of 8 cubic yards per day, giving a total of \$1.92.

Q. Per cubic yard for excavation? A. And we have the cost of disposal of 60 cents per cubic yard for labor at 80 cents per cubic yard for equipment, giving a total of \$1.47 for disposal. Brick work we have material \$17.33, labor \$13.90, a sub-total of \$31.23 per thousand, which is a price we obtain from the building department of Day and Zimmerman. We have steel beams for the roof .035 dollars per ton and the labor is .005, a sub-total of .04. We have shoring of .05 dollars per square foot, and a labor of .05, giving a total of 10 cents per

*Clarence A. Mitchell—For Respondent—Cross*

square foot. We have 30 inch cast iron manhole covers and drains \$45.00; \$5.00 for labor, giving a total of \$50.00. Those are the major items of material and labor that go into making up the unit price for each manhole. I can give you the quantities in each manhole or any of the manholes and the unit price applying against those quantities to show how I arrived at the \$338 figure per manhole.

The Commissioner: Can an estimate be prepared by this witness along that line instead of going into every infinitesimal item here?

Mr. Miller: We are not going to.

The Commissioner: Could he not give you an estimate in the form of an exhibit sheet that would cover all of that, or have you all you want?

Mr. Miller: We have all we want anyhow now.

By Mr. Miller:

Q. Turn to Account 246 on page 121, underground conductors. How was the unit cost of 403 arrived at?

The Commissioner: Which one are you talking about, the first item?

Mr. Miller: The first item, 3116 feet No. 403 Cond. V.C.L.C., which I understand is varnish cambric lead covered 15,000 volt copper, how did you determine the unit cost per foot of that?

The Witness: The unit cost of that was determined from a quotation on the material—a quotation was secured from the General Cables Corporation. The quotation as received from the General Cables Corporation is \$17.37 per thousand feet. That is the material price effective as of November 30, 1936, delivered to York. To that material price we added the cost of delivery and the cost of pulling in, installing the cable, and to those units we added 12 per cent for field office and super-

*Clarence A. Mitchell—For Respondent—Cross*

vision expenses, arriving at a total cost per foot in place of \$2.13.

Q. What was your cost of pulling in and splicing per foot?

A. .0687 per foot.

Q. Now, how did you determine the accrued depreciation of this account? A. I determined the accrued depreciation on this account similar to the underground conduit account, that is, by considering adequacy, obsolescence and the condition of the cables themselves in each manhole, and the maintenance or outage records of the company. In other words, a study was made to find out if the company experienced any trouble with the cables, and I found that they had no cable failures. The specifications and the size of the cable is adequate for the loads that it has to carry and will carry for some time. It is not over adequate. The condition in the manholes, the racking of the cable is in excellent condition, it is well insulated with insulating blocks on the cable racks; the cable is fire proofed in each manhole, which is a factor to consider in depreciation. With those factors I arrive at the percentage of conditions for the underground conductor.

Q. I believe that percentage is approximately 95 per cent, is that right? A. Yes, sir.

Q. How long have the underground conductors been installed? A. 1930-31.

The Commissioner adjourned the hearing until March 31, and April 1 and 2.

---

I HEREBY CERTIFY that the proceedings and evidence are contained fully and accurately in the notes taken by me during the hearing on the above cause before the Public Service Commission of the Commonwealth of Pennsylvania, and that this copy is a correct transcript of the same.

E. E. MOYER,  
Official Reporter.



*Clarence A. Mitchell—For Respondent—Cross*

Harrisburg, Pennsylvania, March 31, 1937.

---

Further hearing in above matter, held at the offices of the Public Service Commission, Harrisburg, Penna., on above date beginning at 9:30 o'clock A. M., Commissioner Stahlnecker presiding.

---

PRESENT:

S. G. MILLER, Esq., (Harrisburg) for Public Service Commissioner.  
V. K. KEESEY, Esq. (York, Pa.); CLARENCE W. MILES, Esq., (Baltimore, Md.) and DAVID I. McCAHILL, Esq., (Pittsburgh, Pa.) for respondent.

---

EVIDENCE IN BEHALF OF RESPONDENT continued.

---

CLARENCE A. MITCHELL, being recalled for further cross examination, testified as follows:

By Mr. Miller:

Q. Mr. Mitchell, will you refer back to account No. 245, underground conduits, under four inch fiber conduits, six by four? At the last hearing you stated that you had used a unit price of .1657 dollars per foot of four inch duct. Will you tell me how, using that unit price, you arrived at a cost of \$1,178.00 for 207 feet of such conduit? A. The price of .1657 dollars per foot is for the duct itself. In addition to that we have the concrete envelope. The unit price per foot of that size duct, which is 654 including the price of the duct, is \$5.67 per foot, and that multiplied by 207, I think, will give the \$1,178.00 figure.

Q. The sum of .1657 dollars is for the duct alone, and you



*Clarence A. Mitchell—For Respondent—Cross*

add to that the conduit? A. Yes, sir, to get the \$5.95 total—the \$5.69 total.

Q. Referring to account No. 256 on page 125 of the exhibit, was the classification of poles for that account determined in the same manner as was used with reference to account No. 242, transmission system? A. Yes, sir.

Q. Are the cross arms in this account Nealy, or were they separated in the inventory as to particular lengths? A. The cross arms were separated in the inventory as to particular lengths, that is two pin, four pin, six pin, eight pin cross arms.

Q. Are they Nealy or electric light arms? A. They are Nealy arms.

Q. Was an allowance of twelve percent for direct engineering and field office supervision applied to the unit costs in this account? A. Yes, sir.

Q. To find the unit costs? A. Yes, sir; in account 256.

Q. Take account 257, overhead conductors, will you tell us how you determined the size of wire in the field? A. The size of the wire was determined in the field. An experienced company lineman was along during the inventory, and with the experience of our own men, who were experienced company linemen, the size of the wire was determined. Then a check was made with the distribution department in any case where there was any doubt, and it was verified from the company's records.

Q. You mean that you and your associates, your associate investigators, went out along the street and would look at the wire and say that is such and such size wire? A. Yes, sir.

Q. Was the length of the wire actually measured in the field? A. The length of the wire was paced off, the spans were paced, and the average length taken, and out in the suburban centers, where we used a speedometer between the sections.

Q. When you say the average length of the span was taken, you mean between the poles? A. Yes, sir.

Q. You paced two or three spans, then you averaged it, and counted the poles? A. Yes, sir.

*Clarence A. Mitchell—For Respondent—Cross*

By the Commissioner:

Q. Is that the standard method of measuring wire? A. Yes, sir, it is the accepted method. It is just as accurate as trying to measure with tape.

By Mr. Miller:

Q. Did you make any allowance for sag? A. No, sir.

Q. Can you give me the base price which the Anaconda Wire Company furnished you? A. The bare copper wire base price which the Anaconda furnished us was 14.25 cents per pound.

Q. As of what date was that price furnished? A. That was November 11th.

Q. 1936?

By the Commissioner:

Q. What is the price of copper now? A. Why, this morning's paper quoted 17 cents.

By Mr. Miller:

Q. That would not necessarily be comparable to this wire cost? A. This wire cost would probably be around 20 cents a pound now.

Q. Did you make an allowance in your figures for quantities over 30,000 pounds? A. Yes, sir.

Q. How did you determine the unit cost for the 2/0 triple brade weather proof stranded copper wire? I believe the 2/0 triple brade weather proof stranded copper wire is designated T.B.W.P.? A. That is correct. At first we took the weatherproof base price, which is 16.5 cents per pound. That price was as of November 7th, 1936. To that base price we added freight, and we added for medium hard drawn, bringing the total base up to 16.95 cents per pound.

Q. The difference between 16.05 and 16.95 is the freight charges? A. The freight charges and additions for medium hard drawn.

Q. How much was the freight? A. The freight is .3 cents.

*Clarence A. Mitchell—For Respondent—Cross*

From this 16.95 cents we deduct for 100,000 pounds and over, which is .75 cents and that gives us 16.02 cents per pound. From that price we deduct 5% for cash, which is .081 cents per pound. That gives us a delivered price, exclusive of extras for sizing and stranding, 16.119 cents per pound. Then to the 16.119 cents per pound we add .15 cents per pound for size and stranding, which gives a total cost delivered of 16.269 cents per pound.

Q. What do you mean by size, as distinguished from stranding? A. That is extras that the copper companies charge for the stranding and the drawing of the size.

Q. In other words, making wire out of copper? A. Yes, sir; they give you the base price and to that base they add extras for sizing and stranding and for weatherproofing, and by adding all of those we arrive at the unit price for the material that we used in our exhibit. Converting that price into feet we get the price of weatherproof 2/0 copper wire solid of .0822 dollars per foot.

Q. How do you convert that price per pound into feet Mr. Mitchell? A. We get the weight per foot and the cost per pound, and the cost per foot—

Q. What is the weight per foot of 2/0 wire? A. .502 pounds per foot.

Q. Mr. Mitchell, how do you reckon the cost or compute the cost of placing this wire? A. We set up a typical general line construction crew which will unload and deliver and install, and strain sag and tie in the conductors. We take this crew and set up a typical performance for the crew for the various sizes of conductors involved, and arrive at a unit labor and equipment price per foot installed.

Q. Will you give me the crew and the wage figures you used in the performance? A. The general line construction crew consists of one line foreman at 95 cents per hour, including Workmen's Compensation and Public Liability; two linemen first class at 84 cents per hour, including two linemen second class at 60 cents. All of these prices include Workmen's Compensation and Public Liability insurance. Four ground men at 53 cents an hour; one laborer at 42 cents; one material checker

*Clarence A. Mitchell—For Respondent—Cross*

at 53 cents per hour; one truck driver at 53 cents per hour. This gives a total crew cost per day of \$61.41, to which is to be added \$22.50 per day, which gives a total cost, including the cost of labor and equipment, of \$83.91 per day. That is divided by the performance, which gives us the cost per foot with the installation.

Q. What is the performance of this crew? A. This crew will install 10,000 feet of No. 8 weatherproof solid in a day. Do you want me to give all of the performances or do you have any particular size that you have in mind?

Q. On the 2/0 wire? A. 5,200 feet per day.

Q. Is there anything else included in your cost of this wire other than what you have given me? A. Distribution of the conductor and return of reels have been included on a foot basis, and that is .0007 dollars per foot. That is added to the actual labor and equipment cost.

Q. How was the observed condition of 95 percent determined for this account? A. By making a field inspection, observing the condition of the conductors and by checking with the company's records in the engineering department, to determine the adequacy of the sizes that the company was using and the nature of the material itself, as far as deterioration is concerned, and obsolescence. All of these factors were considered in determining the condition of the conductor.

Q. What obsolescence would there be in copper wire? A. For instance, if you would have a line going to a certain customer or a group of customers, and if anything would happen that you would lose the customers, you would not need that line there any longer, and that would be the only obsolescence that you would consider.

Q. There would be obsolescence if the demand in the territory grew greater instead of less, and range customers were put on the line? A. That would be inadequacy.

Q. I think you stated that you believed that the accrued depreciation, computed on an observation basis, should be related to the annual depreciation allowance. How would you do that in the case of copper wire, generally? A. A study would have

*Clarence A. Mitchell—For Respondent—Cross*

to be made of the company's maintenance policy, their engineering policy, a study of their load demand, to determine the inadequacy,—a study of all of these conditions, and an annual depreciation could probably be set up to cover the matter.

Q. How would that be related to accrued depreciation? A. The accrued depreciation was figured after observation of the condition of the property.

Q. There really wouldn't be any relation between an accrued depreciation allowance, based upon observed conditions, and an annual depreciation figure or estimate, based upon the calculations you have mentioned? A. No, sir.

Q. Did you apply the 12% allowance for engineering and field superintendence in account 257, to the various unit costs in that account? A. Yes, sir.

Q. Taking account 258, overhead transformers, did you apply the discount, based upon the amount of the purchase, to obtain the cost in that account? A. Yes, sir.

Q. How did you determine the observed condition of 91% for this account? A. By a study of the company's maintenance policy, their inspection, their transformer policy, the type of transformer used and the transformer failure.

Q. Did you take into consideration the age of the transformers? A. No, sir, for this reason, transformers can be maintained to a very high percentage of condition. Regardless of the age of the transformers you can always have them rewound and it practically makes them new transformers. The Edison Light and Power Company are continually having their transformers rewound for change in voltages, and as to those transformers the record of the failure shows that those particular transformers that have been rewound have a better service record than the new transformers put out into service.

Q. Do you consider that rewinding to be a maintenance or an expense which should be paid out of the depreciation reserve? A. I do not know how the company charges that, whether that is a charge to maintenance or not. I know that the overhauling of transformers is a maintenance charge, the same as the over-



*Clarence A. Mitchell—For Respondent—Cross*

hauling of meters. On the rewinding, I am not sure just how that is charged.

Q. I am asking for your opinion, do you consider that to be a maintenance expense or would that be a matter for depreciation? A. That would be a maintenance expense.

Q. That is rewinding? A. Yes, sir.

Q. I note that you have given the transformers an observed condition of 91%, an observed use condition, or useful condition of 91%, while the transformer installation has a similar observed use condition of 95%. Why the difference in the figures? A. According to the interpretation of the classification of accounts, when transformers are retired, transformer installation is not retired necessarily. If a transformer of the same kind is installed in the location, the transformer installation is not retired, and for that reason you do not give as much depreciation on the installation as you do for the transformer itself.

Q. Take account 260, overhead services account, how do you determine the size of services in the field? A. That was determined in the field by the same method that we determined the size of the distribution circuits.

Q. Then I take it that the length was determined in a similar way, similar to that which you have mentioned in connection with the distribution circuits? A. Yes, sir.

Q. How did you determine the observed condition of 95% on the overhead services? A. Due to the character of the material, the size of the service wire and in the service cables.

Q. Did you take into consideration the time the lines have been up? A. Only to the extent of studying the overloaded condition, and otherwise, you do indirectly consider that, but as far as the age of the conductor itself is concerned, that does not have very much bearing. If it is large enough or adequate, the depreciation would be very small.

Q. In other words, you considered its adequacy, and you arrived at your opinion as to the adequacy of the service without particular reference to the age? A. Yes, sir.

Q. Take account 267, meter installations. You testified that you depreciated this account 3% due to the interpretation of the



*Clarence A. Mitchell—For Respondent—Redirect*

Public Service Commission classification of accounts. What do you mean by that? A. That is the same as transformer installation. In other words, the classification of accounts, states that the meter installation should not be retired when the meter is retired, so long as the meter is replaced in that location, so that you can retire the meter without retiring the meter installation.

Q. Referring to account 273, municipal street incandescent system, you have allowed for paving in York. Was this paving actually done prior to the time the conduits were laid? A. Yes, sir.

Q. Where did you obtain that information? A. From the company's engineers. Is that account 274?

Q. 273. A. What page do you have reference to?

Q. Page 222, square feet of asphalt or concrete paving? A. That is a very small quantity. That is in connection with the street lighting around Center Square in York. The paving was there at the time of the installation.

Q. Turn to page 223. How did you arrive at the estimated cost of the switchboard of \$1,144.00? A. Mr. Favor estimated that; he is responsible for that figure. This was inventoried along with the sub-station equipment, and Mr. Favor priced those switchboards.

Mr. Miller: That is all we have with Mr. Mitchell.

*Redirect Examination.*

By Mr. Miles:

Q. Can you state what has been the trend in prices of wire since November 30th, 1936? Has it been upward or downward? A. The trend has been upward.

Q. Can you state what has been the trend in the price of coal since November 30th, 1936? A. That has been upward too.

Q. Have you any information as to the trend in labor costs, in connection with the installation of pipe of the character embraced in respondent's exhibit No. 2, since November 30th, 1936?

A. Yes, sir, I am satisfied that we would have to increase our labor rates if we were building the property today. In fact, in

*John B. Ink—For Respondent—Cross*

all of our estimates, we are increasing our labor rates five to ten cents per hour.

Q. What has been the trend in the prices of conductors and transformers since the same date? A. Conductors and transformers?

Q. Yes. A. Conductors, that is cable, the wire prices have been upward, and the transformer price has increased.

Q. In connection with account No. 258, relating to transformers, do I understand that in estimating the reproduction cost of such transformers you assumed that the company would get the benefit of its existing discount rates? A. Yes, sir.

Mr. Miles: Mr. Miller, do I understand that you are through with Mr. Mitchell in this case?

Mr. Miller: That is correct.

Mr. Miles: May he be excused?

Mr. Miller: Yes.

---

JOHN B. INK, being recalled for further cross examination, testified as follows: <sup>c</sup>

*Cross Examination.*

By Mr. Miller:

Q. Mr. Ink, you stated that the plant has a capacity to carry the maximum steam heating load and at the same time 7,000 kilowatts of electric load. How did you compute the 7,000 kilowatts of electric load? A. We found from a test that the boilers would produce 229,151 pounds of steam per hour, and from the records of steam consumption by the heating company on a maximum day, we found, on January 28, 1936, it was 125,255 pounds. That left a balance of 103,896 pounds available for No. 2 turbine. At a rate of 19 pounds of steam per k.w. hour, that would produce 5,468 k.w.'s. At the same time No. 1 turbine, operating on the steam delivered to the heating company, would produce 1,500 k.w.'s or better. Therefore, the sum of that produced by number 2 turbine and No. 1 turbine is 6,968 k.w.'s.

*John B. Ink—For Respondent—Cross*

Q. You rounded that into 7,000? A. Yes, sir.

Q. Can you tell me how much electric load you get when the low pressure heating system is not in operation? A. You mean how much power you could generate if you had no steam heating load? A. Yes,

The Commissioner: Is that a periodical situation, or does it happen at all?

By Mr. Miller:

Q. It does happen, doesn't it, that the heat generating plant is not in operation sometimes, even though the facilities are operating? A. The heating company sells heat and steam throughout the year, but in the summer months the demand for steam is very low. Of course, under those conditions you have all the steam available that you could generate, except the small amount that was taken by the steam heating company, and the records indicate that No. 2 turbine will turn out 6,300 k.w's., and No. 1 turbine could be operated at the same time exhausting the atmosphere, and probably produce 1,700 k.w's., making a total of 8,000.

Q. What electric load would you get when the demand of the low pressure heating system is less than 20,000 pounds? A. You would be able to produce the amount that I just stated, about 8,000 K. w's. Number 1 turbine which is used on the steam delivered to the heating company, requires 20,000 pounds or more per hour, and in order to generate,—that is you have to put that much or more through it, to generate any power, but you can exhaust the atmosphere and deliver any amount of steam up to about 80,000 pounds by that unit, and generate its total capacity, regardless of the demand of the heating company.

Q. As a practical operating matter you wouldn't do that? A. In an extreme emergency, because it would not be economical.

Q. What is the minimum electric load that the condensing water will supply? A. You probably mean maximum.

Q. I mean maximum. I want to know whether the maximum electric load that the supply of condensing water will give? A.

*John B. Ink—For Respondent—Cross*

Under the conditions of the minimum flow of the stream that supplies the condensers, the data on the stream flow is rather meager, but as near as I can determine it is probably 10,000 gallons per minute, and the theoretical amount of water required in this condenser No. 2 unit is in the neighborhood of 7,500 gallons per minute. On that basis you could probably carry 5,000 k. w. when you have a minimum stream flow.

Can you tell me the vacuum which you assume on the condensing turbine when you obtain an electrical load of 6,300 k.w.'s? A. I do not have a record of the vacuum under that condition.

The Commissioner: What are you trying to prove Mr. Miller?

Mr. Miller: We are trying to prove just how far the steam plant is used or useful in the generation of electricity for the respondent company.

The Witness: I have some information on that. In March, 1936 during flood the No. 2 turbine carried 5,800 k.w. and the vacuum was 27.1 inches of mercury. As near as we could determine, the water rate at that time was about 18 pounds.

By Mr. Miller:

Q. You stated that test of the steam load on boilers Nos. 1 and 2 was 71,958 pounds per hour for two hours, and you gave similar data for boilers 3, 4, 5 and 6. Will you refer to exhibit No. 3, sheet 1, and tell me when the test was made, when the test started? I want the two hour period of the test? A. Boiler No. 1 carried a fairly constant load from nine in the morning until three o'clock in the afternoon. In other words, we had more than two hours on that boiler. That was the period that was considered in the test.

Q. During what two hours did you test that boiler?

The Commissioner: The witness said it had a fairly constant load, didn't you?

The Witness: Yes, sir; I think it was probably be-

*John B. Ink—For Respondent—Cross*

tween the hours of eleven in the morning and one in the afternoon.

By the Commissioner:

Q. You testified that the test ran from nine to three? A. Yes, sir.

By Mr. Miller:

Q. Did you make the test? A. No, sir. The test was made by the Edison operators.

Q. It was a six hour test and not a two hour test? A. We called it a two hour test because in some of the other boilers it ran for only two hours—

By the Commissioner:

Q. The result of those tests was shown on instruments that are supposed to be accurate? A. Yes, sir.

Q. Those charts are all in the record? A. Yes, sir.

Mr. Miles: I might say that the charts bear the affidavit of the particular person who conducted the test.

By Mr. Miller:

Q. How did you get the figure of 71,958 pounds per hour on boilers Nos 1 and 2? A. If you will refer to the chart on number 1 boiler, you will note on the edge of the chart the following: "Pounds of steam per hour equals chart reading times 5,360." The average chart reading over the period considered to be the test was 6.55. That multiplied by the constant of 5,360 gives the amount of steam produced per hour on number 1 boiler. For number 2 boiler the constant is the same, and the chart reading average for the two hour period is 6.875.

Q. For what two hour period was the chart reading? A. No. 2 boiler, the maximum is between 10:00 A. M. and 12:00 o'clock noon.

Q. Can you refer to sheet number 1 of exhibit No. 3 and give me the corresponding two ~~hour~~ period on sheet No. 1? A. If you take the hours from eleven in the morning to one in the



*John B. Ink—For Respondent—Cross*

afternoon, I believe it is typical, and the average is 6.55, which I just mentioned.

Q. Are those two hours that you used? You have given the result of a two hour test and I want to know what two hours of the day you used? A. I think you can take the hours from eleven to one. On No. 1 boiler the test will be considered between eleven in the morning and one in the afternoon.

Q. Did you actually make any test, or did you yourself take these charts and pick out a period on the chart?

The Commissioner: The witness testified he did not make any tests.

By Mr. Miller:

Q. Was any test actually made or was the chart used?

The Commissioner: What is a chart but a record of a test?

Mr. Miller: He testified that the test was made by the appropriate employees of the company. This chart merely pictures the result.

By the Commissioner:

Q. These so-called charts are the records made by instruments or devices for the purpose of making a test, is that correct?

A. Yes, sir.

Q. These charts therefore show by the fluctuations of the recording device the record of those tests, is that correct? A. Yes, sir.

Mr. Miller: Then they do not support in any way the test over a two hour period because these sheets in exhibit No. 3 show tests over a period of at least six hours, from nine o'clock in the morning until three o'clock in the afternoon, and it is not a two hour test.

The Commissioner: Mr. Miller, I do not understand that it makes any difference if it is two, or four or six hours for the test. If for the period of two hours shown on those cards the result for that particular period was as



*John B. Ink.—For Respondent—Cross*

this witness said it was, if that is so, alright, and his testimony is accurate, and if it is not, then it is not accurate.

Mr. Miller: That is why we want to know what two hours on these sheets were used.

The Commissioner: The chart itself, if the calculations are right, is susceptible of bearing out the testimony of the witness as to the two hour period.

Mr. Miller: We want to know what two hour period he used to get this result.

The Witness: I have a computation here now and I think I can give you the two hour period.

By the Commissioner:

Q. On which boiler? A. Number 1. It started at ten and was completed at twelve. That gave me 35,108 pounds. There is practically no difference, however, over the entire six hour period and you would get about the same result if you started at nine and ran until three.

By the Commissioner:

Q. If you would take any two hour cycle in this six hour period you would get the same result approximately? A. Yes, sir.

By Mr. Miller:

Q. On sheet No. 2 of the exhibit the period was from ten to twelve? A. Yes, sir.

Q. Sheet 3? A. It was from 3 to 5.

Q. Sheet 4? A. On sheet 4 it was from 3 to 5.

Q. Sheet 5? A. 9 to 11.

Q. Sheet 6? A. Nine to eleven.

Q. Referring to sheet number 1 of exhibit number 3, can you give me the maximum output of steam? A. The maximum instantaneous output shown on sheet number one would be about 7.25, multiplied by the constant of 5360, and it would be approximately 39,000 pounds per hour.

Q. Can you give me the minimum output? A. The minimum

*John B. Ink—For Respondent—Cross*

instantaneous is approximately four and one half times the constant, or about 22,700. That is an instantaneous swing.

Q. On sheet number 2, how would the maximum output be determined—in the same way? A. Yes, in the same way. We have an instantaneous peak there of 7.4 times the constant.

Q. The only difference in the computation of the maximum and minimum output for the various sheets of exhibit No. 3 would be a difference in constant, would it not? A. The determination of the hourly output consists in determining the average ordinate of this curve, this record curve, over the two hour period, multiplying that by the constant.

Q. Can you give me, not necessarily immediately, but will you prepare a tabulation showing the maximum and minimum output for these various sheets? A. I can produce those figures.

Q. Will you produce them? A. Yes, sir.

(Recess.)

By Mr. Miller:

Q. Do you now have those figures Mr. Ink, for the various sheets? A. Yes, sir.

Q. I wonder if you would read them into the record. I believe you gave me the minimum output of steam for sheet number 1? A. I would like to check that on sheet number 1. The maximum is 38,900, the minimum is 31,100.

Q. I believe you gave me a minimum of 22,700? A. I looked at the wrong place and I would like to correct that.

Q. Sheet number 2? A. Sheet number 2, maximum 39,700; minimum 33,200.

Q. Sheet number 3? A. Sheet number 3, maximum 36,000; minimum 29,600.

Q. Sheet 4? A. Sheet 4, maximum 34,400; minimum 27,200.

Q. Sheet 5? A. Maximum 52,300; minimum 40,600.

Q. Sheet 6? A. Maximum 51,750; minimum 38,800. These are instantaneous swings.

Q. Did you measure the total output of steam from boilers numbers one and two for the two hours by meters? Was the output of 71,958 pounds measured by meters? A. That output

*John B. Ink—For Respondent—Cross*

of steam is determined by integrating this chart, determining the average ordinate of the chart over the two hour period, multiplied by the constant shown on the chart.

Q. Can you tell me how a sustained and continuous load can be carried for two hours or for any period, the load being greater than the minimum quantity which the steam produced will supply? A. These minimum quantities shown on the chart indicate or represent the demand for steam and at that instant, rather than the ability of the boilers to supply the steam.

Q. You stated that the company's all time electric peak load was 18,200 k. w. hours. Can you tell me the time when this peak load occurred? A. The 18,200 k. w's?

Q. Yes. A. That occurred on November 24th, 1936.

Q. Was there any particular reason for that peak? A. I do not think there was anything other than the ordinary reasons that accounts for peaks, at least none that I know of.

Q. What is the k. w. capacity supplied at this time by the Metropolitan Edison Company? A. You mean at the time of the peak load?

Q. No, at the present time. Do you know that off hand, Mr. Ink? A. I do not know it off hand. I think it is the papers somewhere.

Q. Can you get that and give it to me?

The Commissioner: As of today or when?

Mr. Miller: Kilowatt capacity as of today and also as of November 24th, 1936.

By Mr. Miller:

Q. Do you have that latter information, Mr. Ink? A. You want the contribution of the Metropolitan Edison Company to the peak demand of the Edison Light and Power Company in 1936?

Q. Yes, on November 24th.

The Commissioner: Is that the date of the test?

The Witness: That is the date of the peak load. Do

*John B. Ink—For Respondent—Cross*

you want the same information, Mr. Miller, for some day this year?

Mr. Miller: Yes, a representative day, or the peak day in 1937, and similar information as to the k. w. capacity supplied by the Edison Water and Power Company on November 24th, 1936, and a day taken in 1937?

The Witness: I will probably have to go to the Edison Company for these figures in 1937.

By Mr. Miller:

Q. That is perfectly satisfactory, we would just like to have the figures for comparative purposes. Can you tell me the greatest k. w. capacity that has been supplied the Edison Company by the Metropolitan Edison Company? A. No, sir, I have got that information.

Q. Can you get me that information? A. Yes, sir.

Q. And similar information for the Pennsylvania Water and Power Company? A. Yes, sir.

Q. With data showing when it was supplied and for how long a period? A. Yes, sir.

Q. Now, in connection with your testimony I think you stated the all time peak for the electric demand and for the steam heating demand of the Edison Company was January 24th and January 28th, 1936. When you stated that you assumed the peak hour of January 24th, was similar to the peak hour of January 28th, 1936, did you make that assumption? A. I made that assumption. I had to because the records were not complete for the 24th. I had information which showed that the demand for the day on the 24th was the same as that on the 28th.

Q. Well, you assumed, did you not, a relation between the load factor and demand? A. Yes, sir, I must have assumed that, to assume that the demand was the same on the two days.

Q. Referring to sheet number 2 of exhibit number 7, column 1, July, there is a figure of 15,900 k. w's purchased? A. Yes, sir.

(Discussion off the record.)

*John B. Ink—For Respondent—Cross*

By Mr. Miller:

Q. In column number 7 appears 6,210,000 k. w. hours purchased. Now then in column 1 for November, 16,700 k. w. hours are shown, and in column seven 6,190,000 k. w. hours are shown. This indicates an increase of 800 k. w. hours demand and a decrease of 20,000 k. w. hours received, does it not? A. That is between September and November?

Q. Between July and November. The similar figures for September and December show a decrease of 500 k. w. hours demand, and an increase of 18,000 k. w. hours received, do they not?

The Commissioner: Mr. Miller, wouldn't it save time if you would submit this witness, if you have then written out, a list of the questions that require calculation on his part? Perhaps you had better submit those questions to him at this time and have him put them on the record this afternoon.

Mr. Miller: This question does not require any calculation. It involves a subtraction of 16,000 from 16,500.

Mr. Miles: The answer is 500 then.

The Commissioner: I can do that myself.

The Witness: I think I can answer his question. I believe the purpose of this is to show that there is a wide variation in load factors between the month of July and the month of November—

By Mr. Miller:

Q. That is correct, the relations between demand and load factors do vary very greatly from time to time? A. Yes, sir. They would vary between July and November because the character of the load changes very much in those two months.

By the Commissioner:

Q. That is between those two months? A. Yes. The character of the load in June and July is very much different from what it is in November,—different hours of daylight and different hours of operation.

*John B. Ink—For Respondent—Cross*

The Commissioner: Did you answer Mr. Miller's question?

The Witness: Will you please give me the question?

By Mr. Miller:

Q. My question was, as between September and December, a decrease of 500 k. w. hours demand, and an increase of 18,000 k. w. hours received is shown, by reference to columns 1 and 7 of sheet number 2 of exhibit number 7? A. I assume that is correct. I haven't attempted to check the figures.

The Commissioner: Is that apparent from the sheet to which you have referred?

Mr. Miller: Yes, sir.

By the Commissioner:

Q. If the figures, as they are on the sheet are correct, then Mr. Miller's calculation which he asked you about is correct? A. Yes, sir.

By Mr. Miller:

Q. I can give the witness the figures from the exhibit? A. I would like to know what the conclusion is.

By the Commissioner:

Q. I do not think that is quite necessary to find out what conclusion Mr. Miller is trying to reach. He asked you whether a certain set of facts, as shown by that sheet, would inevitably lead to a certain conclusion. Is that correct, or, from your point of view can that not be answered that way?

Mr. Miles: I think in fairness to the witness, no question has been propounded to him.

By Mr. Miller:

Q. I asked you, referring to the similar figure for September and December, on the exhibit, do they not show a decrease of 500 k. w. hours demand and an increase of 18,000 k. w. hours received? A. Yes, sir, I assume that your figures are correct.



*John B. Ink—For Respondent—Cross*

Q. Those comparisons between July and November and between September and December show a wide variation between the demand and the k. w. hours received, do they not, the demand and load factor? A. Yes, they show a variation of load factor. I assume they do.

Q. They also show a variation in the relation between the two, do they not? A. If there is a variation in the load factor it would follow there would be a variation in the relation between the demand and energy.

Q. From those figures would it not appear that to base an assumption that on any given day the peak hour was not far different from the peak hour on another given day, was an unwarranted assumption? A. It would be unwarranted if it were for several months apart, but if they occur in the same week or a few days apart, I will not say it is not warranted.

Q. Referring to the same sheet, will you tell me the day and hour that the 13,900 k. w. demand occurred, that is purchased for March?

Mr. Miles: What line and column are you referring to?

Mr. Miller: Column 1, line 3.

The Witness: I do not have the day and the hour. Pardon me, just a minute, that is March 17th, 9:00 to 10:00 A. M.

By Mr. Miller:

Q. What was the k. w. demand supplied by the Metropolitan Edison Company at that time, do you know? A. I only have the combined. I do not have it segregated.

Q. You mean you just have the total 13,900 k. w's? A. Yes, sir.

Q. Can you get the information and segregation as to the demand supplied by the Metropolitan Edison Company and the Pennsylvania Water and Power Company at that time? A. Yes, sir.

Q. The chance of requiring an electric emergency operation at the time of maximum steam heating demand is remote, is it not? A. Yes, I believe it is.

# MICROCARD

TRADE MARK 

# 22



MICROCARD<sup>®</sup>  
EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON MICROCARD AND MICROFICHES  
901 TWENTY-SIXTH STREET, N.W., WASHINGTON, D.C. 20037, PHONE (202) 333-6393

317

38-66



*John B. Ink—For Respondent—Cross*

Q. Can you tell me whether the operating practise in connection with the steam heating plant is to have available reserve capacity sufficient to protect the service when the largest boiler is out of service for repairs? A. Boiler repairs are all made during the summer months, at which time there are several boilers available, at least four boilers.

Q. Did you derive that information from the station operating records? A. I derived that from the discussion with the operators.

Q. Do the station operating records show when the boilers were out of repair? I mean out of service for the purpose of repair? A. I don't know whether they show that or not. I think I am safe in saying if there was any failure of a boiler or stoker, that that would be indicated on the boiler room records.

Q. Can you tell me the time of the day when the maximum demand of the steam heating system of 125,255 pounds occurred? A. That is shown on exhibit 4. That was between ten and eleven in the morning.

Q. What boilers were in operation at that time? A. Numbers 2, 3, 4, 5 and 6.

Q. What steam pressure is required for the operation of the low pressure heating system? A. The pressure in the heating system varies. It is normally 25 pounds.

Q. And for the high pressure system? A. The high pressure system, 80 pounds.

Q. How many pounds of steam were produced by the boiler plant in 1936? A. 278,501,000.

Q. Can you tell me how many of those pounds were used for electric generation? A. In which turbine?

Q. In the 5,000 condensing turbine? A. No, I have no record of that.

Q. I assume you cannot tell me how many pounds were used for heating the station, in the operating office and for other uses in connection with the respondent company. You have no segregation of that? A. I have not, no.

Q. Can you get that data or is it unavailable? Do you know

*John B. Ink—For Respondent—Cross*

of any records of the company which would show that? A. I believe that the steam used for heating the plant is metered. I believe that information can be obtained.

Q. Will you get that for me? A. You mean the steam required to heat the plant?

Q. Yes, to heat the station and the offices of the Edison Company. In other words what steam goes for use in connection with the Edison Company?

The Commissioner: Other than the generation of electricity?

Mr. Miller: That is correct, yes, sir.

By Mr. Miller:

Q. And then the total figure. What we want is a breakdown into the pounds of steam used for heating the station and the operating offices, for hot water and other minor uses, in connection with the Edison Company's operation, and in addition to that the pounds used for electric generation, if that information is available? A. I do not think the pounds used by number 2 turbine is available. I believe that is an estimate.

Q. If you can give me an estimate on that, that will be satisfactory.

Mr. Miles: Will you want this witness recalled for all of this various information?

Mr. Miller: No, that won't be necessary, if he furnishes the information in letter form or something of that sort, with the understanding that it can be placed in the record.

By Mr. Miller:

Q. Do you know Mr. Ink, the number of transformers, or, rather transmission circuits of the Pennsylvania Water and Power Company to York? A. Yes, sir; the Pennsylvania Water and Power Company have two 66 k. v. circuits entering York.

Q. What is the transformer capacity for reducing the trans-

*John B. Ink—For Respondent—Cross*

mission voltage to the delivery voltage? A. 12,500 k. v. a. of the Pennsylvania Water and Power Company sub-station.

Q. Who owns the transformers? A. Those are the property of the Pennsylvania Water and Power Company.

Q. Do you know the number of transmission circuits of the Metropolitan Edison Company to York? A. There are two 66 k. v. circuits, and one 23 k. v. circuit, entering Smith Street sub-station, and from that sub-station the Edison Light and Power Company is supplied over two 23 k. v. circuits.

Q. What size wire produces 23,000 volts, did you say? A. The lines between the Central plant and the Smith Street sub-station are 2/0 copper.

Q. Who owns the transformers which are used on the Metropolitan Edison lines? A. They are owned by the Metropolitan Edison Company.

Q. What is their capacity? A. 12,500 k. v. a.

Q. At what time of the day do the daily electric peak demands occur, do you know that? A. Usually between nine and ten in the morning.

Q. Now, you stated that the profit to the Edison Company on the sale of 4,232,300 k. w. hours to the Railways Company in 1936 was \$12,281.00. To arrive at that conclusion you used a rate of 9 mills, did you not? A. Yes, sir.

Q. Thus you bar 1 the cost to the Edison Company of the railway power on the lowest block in the demand charge, and the lowest block in the k. w. h. charge, did you not? A. In determining the cost to the Edison Company for power purchased and used by the Railway Company, we used the increment cost of that power.

Q. What do you mean by that? A. We found out how much per k. w. h. the Edison Company would have paid for the power if they had not had the railway load, then determined the increase, then determined the cost per k. w. h. that they would have paid for the power, including the railway load. The difference between those two costs per k. w. h. would be the increment,—I will have to correct that. We determined what would have been paid for power if they had not had the rail-

*John B. Ink—For Respondent—Cross*

way load. Then the difference between that and what they actually paid was the increment cost for serving the railway.

Q. Well now, Mr. Ink, I do not believe you are answering my question. Did you not base the cost to the Edison Company of the railway power on the lowest block in the demand charge, and the lowest block in the k. w. h. charge? A. The method of arriving at that increment cost involves the use of the lowest block in the demand and energy charged.

Q. If the other consumers of the Edison Company were not attached to their lines, and the Railway Company were the only consumers, that would not be possible, would it?

Mr. Miles: That is objected to.

The Commissioner: I think I will have to sustain the objection. That is not a tenable supposition.

(Discussion off the record.)

By Mr. Miller:

Q. Mr. Ink, the low block demand charge and the k. w. h. charge advantages accrue by reason of the total use of all of the consumers of the Edison Company, do they not? A. Yes, sir.

Q. In exhibit No. 7 a reduction in the average rate for power purchased by the Edison Company is shown. That is due to the increased quantity taken, is it not? A. Yes, sir.

---

(Recess until 1:30 o'clock p. m.)



John B. Ink—For Respondent—Cross

AFTERNOON SESSION.

1:30 o'clock p. m.

JOHN B. INK, resumes the stand.

*Cross Examination, continued.*

By Mr. Miller:

Q. I believe you stated that the facilities of the Edison Company located in the Central Station, to supply service to the railways company, also supply Service to the Pennsylvania Railroad and another organization, a private company, is that right?

A. Yes, sir.

Q. Are you aware that the tariffs of the Edison Company, the respondent company, on file with the Commission contain a rate P R, providing for 2,300 volts for lighting service delivered at its power plant, when the customer installs at his own expense in the power house partial equipment necessary to furnish electric current at 2,300 volts, at a rate made up of a monthly service charge of \$75.00, plus a meter rate varying from 4 cents to 1.2 cents per k. w. h.?

A. I am not familiar with that.

Q. Do you know whether or not the Pennsylvania Railroad made a payment under the provisions of this rate for special equipment installed in the Edison Company station?

A. I do not.

Q. Referring to exhibit No. 7, power purchased, will you state where the power purchased from the Pennsylvania Water and Power Company is delivered to the Edison Company, at what point?

A. That is delivered at the Violet Hill Sub-station.

Q. At what voltage?

A. At 13,200 volts.

Q. Where is the power supplied to the Railways Company by the Edison Company delivered?

A. That is delivered at the AC sight of the rotary converters, at the AC site of the rotary converter transformers.

*John B. Ink—For Respondent—Cross*

By the Commissioner:

Q. Where are they located? A. In the Central Generating Station and at a similar point at the other rotary sub-stations.

By Mr. Miller:

Q. What is the distance from the Violet Hill sub-station to the Central Station? A. That is 1.87 miles.

Q. At what voltage is the power delivered to the railways company? A. At 2,300 volts in the generating station, at 13,200 volts at the other rotary stations.

Q. Are the other rotary stations more distant than the central station from the Violet Hill sub-station? A. I think they are, I have got the exact distance but I think they are.

Q. Will you describe the facilities required to convey power from the Violet Hill sub-station to the Central Station, for delivery to the Railways Company? A. The method of operating the Central generating station, 2,300 bus, involves separating that bus into two parts. The part that supplies the rotaries is fed from the Metropolitan Edison Company transformers. Therefore, supplying the rotaries in the Central generating station does not involve the connection between the Central generating station and the Violet Hill sub-station. The separation of that bus in the Central generating station is necessary to prevent overloading the transformers which connect the Central generating station and the Metropolitan Edison Company and the Pennsylvania Water and Power Company. There is a tie line used for exchange of power between the Pennsylvania Water and Power Company and the Metropolitan Edison Company, which would be parallel to the system at the Central generating station, and in case of interruption of that tie line, when large blocks of power are being interchanged between the two power companies, the transformer supplying the Edison Company will be seriously overloaded, and therefore it is necessary to separate these two systems in the Central Generating station. Does that answer your question?

Q. No, I don't believe so. What I would like to know is what

*John B. Ink—For Respondent—Cross*

The Commissioner: I take it that the witness will supply that information.

The Witness: Yes, sir.

By Mr. Miller:

Q. Referring to line 13, sheet No. 1, of exhibit No. 7, you have a figure of \$18,025.00, representing the total cost for power factor correction by condensers. What items go to make up the amount of \$18,025.00? A. That is made up of fixed charges on the equipment, which is \$9,629.00; maintenance cost on the synchronous condensers of \$651.00; the operating cost, which covers labor and energy losses, amounting \$5,874.00.

Q. Can you tell me the number and capacity of the boiler feed pumps in the Central station, that is capacity per hour?

A. No, I haven't that data.

Q. Can you furnish that? A. Yes, sir.

Q. Do you know the power factor of the Metropolitan Edison Company and the Pennsylvania Water and Power Company system, independent of the Edison Power and Light Company?

A. No, sir.

Q. What kind of coal was used during the test on boilers Nos. 1 and 2? A. Anthracite.

Q. That was fed through your ordinary stokers? A. Yes.

Mr. Miller: That is all I have, Mr. Commissioner, with this witness. We anticipated that our cross examination of this witness would consume considerably more time than it has. Therefore, we have no further questions.

The Commissioner: This hearing will be adjourned. These hearings for this week were scheduled for today, Thursday and Friday. As I am unable to advise counsel whether or not hearings will be conducted tomorrow and Friday, I will adjourn the hearing.

Mr. Miles: We would ask your Honor to adjourn these hearings to a date to be hereafter fixed.

The Commissioner: I cannot do that, Mr. Miles be-

*Harry A. Reed—For Respondent—Cross*

cause I have no authority to do so. The only thing I can do is to adjourn the hearing for today.

Mr. Miles: I should like, on behalf of myself and my client, and colleagues, to express our appreciation to the sitting Commissioner for his patience and courtesy.

The Commissioner: Under the present circumstances I am sorry that this hiatus is in order for a moment; but I assure you it is not my fault and I do not see that I can do anything else in the matter.

---

Stenographic report of hearing held in the Public Utility Commission Building at Harrisburg, Pennsylvania, Wednesday, May 19, 1937.

---

Commissioner BEAMISH, Presiding.

APPEARANCES:

SAMUEL G. MILLER, Esq., Harrisburg, Pa.

For the Public Utility Commission

CLARENCE W. MILES, Esq., Baltimore, Md.

V. K. KEESEY, Esq., York, Pa.

DAVID J. McCaHILL, Esq., Pittsburgh, Pa.

For Edison Light and Power Company

HARRY A. REED, recalled.

*Cross Examination.*

By Mr. Miller:.

Q. Mr. Reed, you stated that the reproduction cost prices under Account 209, boiler plant equipment, were obtained from the Babcock and Wilcox Boiler Company. Will you refer to Page 16 of the reproduction cost appraisal regarding the item of two 600 horsepower boilers appraised at \$83,702? Can you tell me the items that were included in the Babcock and Wilcox

*John B. Ink—For Respondent—Cross*

of the purchase of power, from the condensers, the synchronous condensers in the system, from the capacitors and from the generators which are occasionally operated as synchronous condensers.

By the Commissioner:

Q. What is a kilable ampere? A. A kilable ampere is a product of volts and amperes regardless of the power factor, divided by 1,000.

Q. Or is that your explanation? A. The ratio of the kilable ampere hours to the k. w. hours determine the average power factor of the load.

Mr. Miles: I would like to know what the purpose is of this line of questioning?

Mr. Miller: We want to know the basis for the 67 percent figure of lighting power factor, just how it was arrived at, so that we can determine the accuracy of the subsequent figure in the exhibit as to the value of the Railway load in raising the power factor.

By Mr. Miller:

Q: What was the minimum system power factor, Mr. Ink? A. I could not say. The figure I have used, 67 percent, is the average for the year. I did not break that down into any lesser periods.

Q. Do you know what the total K.V.A. capacity would be that would be required to raise the system maximum load from the minimum power factor to 80 percent power factor? You said you did not know the minimum. A. No, I do not know the minimum.

Q. Taking the average of 67 percent, what K.V.A. capacity would be required to raise the system maximum load from that 67 percent figure to an 80 percent power factor.

The Commissioner: It is 60 percent lagging, as I understand it.

The Witness: Yes, that is right.

*John B. Ink—For Respondent—Cross*

The Commissioner: You mean to an 80 percent lagging power.

Mr. Miller: Yes, sir.

The Witness: Of course, that varies with the amount of the load, and naturally the power factor itself varies. The facilities for correcting the power factor consist of a 2,000 K.V.A. condenser, a 5,000 K.V.A. condenser, and also about twelve hundred K.V.A. capacitors. This much capacity, amounting to 8200 K.V.A. normally holds the load power factor at 80 percent or better. Occasionally it is necessary to operate the 5,000 K.V.A. generator at the central plant to assist in this correction. That would add to this 8,000 another 5,000, making a total of 13,000 K.V.A. that is occasionally required.

Q. The power factor charge adjustment provided for in the purchased power contract is based on K. W. demand. What method did you use in converting the adjustment of K. W. into the k. w. h., used in Exhibit No. 7, sheet number 1? A. The determination of the power factor for billing purposes in the contract is based on the use of the integrated k. w. h., and the integrated reactive kilable ampheres. That is the same figure that I have used in my calculation.

Q. How did you get the K. W. H. figures in exhibit No. 7, line 11? You have a figure of 8,678,100 k. w. h. as the portion of the load corrected to 80 percent lagging power factor by the railway load. I would like to know how you obtained that figure? A. I obtained that by means of a vector diagram, calculated mathematically—

Q. On what basis? A. One vector consists or one vector represents K.V.A. hours delivered to the Railways Company, with a power factor of 98 percent loading. This vector is therefore known in direction and length or amount. Another vector represents the system load. This vector is known in direction and determined by the power factor. The third vector represents a sum of the Railway load and a portion of the system load corrected to 80 percent power factor.



*John B. Ink—For Respondent—Cross*

The Commissioner: Isn't this all a mathematical engineering formula known to every engineer?

Mr. Miller: No, sir, it is not, according to my information.

The Witness: I think it is quite common knowledge.

The Commissioner: If it is a formula used in practise by every competent engineer I do not see any purpose in putting it into the record. If it is not, that is a different matter.

By Mr. Miles:

Q. The method is a common method? A. Yes, sir; the next step is the addition of the two vectors, one being the vector of the railway load and the other being the vector of the system load, corrected by the railway load.

By Mr. Miller:

Q. What rotary converters are used to supply the power to the Railways Company? A. The rotary converters in the Central generating station and at the three outlying stations.

Q. Do you know the daily production of these machines? A. The daily production of the machine at the Central station is recorded every hour. The isolated stations are unattended, and the meters at these points are read monthly.

Q. Can you give me the average daily operation of the machines at the central station? A. I can give you the total for the year, which divided by 365, would be the average daily operation.

Q. Alright. A. In 1936 the Central plant produced 3,301,900 k. w. h.

The Commissioner: For the average day that would be divided by 365?

The Witness: Yes, sir.

The Commissioner: You do not want to waste any time on that.

By Mr. Miller: Does that give the figure for the Railway Company rotaries?

*John B. Ink—For Respondent—Cross*

A. That is the input to the Railway Company rotary converters at the Central plant, and is about 75 percent of the railway load.

Q. How many k. w.'s can be corrected from 67 percent to 80 percent power factor by the capacity of the machines in the Central station, the railway machines in the Central station, in excess of the capacity necessary to carry the railway load? A. The correction of the system power factor is incidental to the load that is carried, the total load that is carried, by the rotary converter. That is, you can use your rotary converter in the same manner that you use a synchronous condenser or a synchronous motor. That is, you can operate to correct the power factor, this inherent power factor, which is quite high in this case, 98 percent loading, and you can increase the corrective affect of those machines over what they will normally carry or over what they will normally do in the process of carrying the railway load.

Q. In other words, they would be useful in correcting the power factor only up to the point where they were needed to supply the railway load? A. That is right.

Q. They would have no excess capacity for power factor correction? A. That is right.

Q. Do you know what part of the power factor correction is due to the 5,000 k. v. a. turbine? A. I have an estimate of the amount of reactive kilable ampheres carried by the machine in 1936. That figure is 5,528,000 reactive kilable ampere hours.

Q. That would be over a period of a year? A. Yes, sir, that is rather a small percentage of the total reactive, which is 79,697,000.

Q. Can you tell me how many days the 5,000 k. v. a. turbine was operated in 1936, or will you furnish us that figure, Mr. Ink, and also how many hours in the average day it would operate? A. That is hours operation of number 2 generator, for power factor correction?

Q. That is correct.

*John B. Ink—For Respondent—Cross*

facilities are used to take the power delivered at the Violet Hill sub-station to the point or points of delivery to the Railways Company? A. Didn't I just explain that none of that power flows to the Railways Company.

Q. Your answer is that no power is delivered to the Railways Company at the Central station, which comes from the Violet Hill sub-station? A. That is right.

Q. Therefore, any power which is delivered to the Edison Light and Power Company at the Violet Hill sub-station, and is subsequently delivered to the Railways Company, is delivered to the Railways Company at these various other stations you have mentioned? A. Yes, sir.

Q. What facilities in general are used to take that power from the Violet Hill sub-station to the various points of delivery to the Railways Company? A. There are three of these isolated railway sub-stations, one of the Red Lion station which is fed direct at 13,000 volts by a transmission line from Violet Hill to Red Lion. The other two known as Gitts and Martins, are supplied from a 13,000-volt bus at the Central Station, and this power flows from Violet Hill over two 13,200 volt circuits to the Central station, thence over a 13,200 volt circuit to the Gitts and Martins sub-stations.

Q. These facilities are the property of the respondent company, are they not? A. Yes, sir.

Q. Therefore, I assume that all of the operating and maintenance charges, all losses in transmission and transformation, all interest and depreciation on these facilities are carried by the Edison Light and Power Company? A. Yes, sir.

Q. The average cost of power purchased, which you used in exhibit No. 7, is based on cost to the Edison Company at the delivery point to the Edison Company. A. Yes, sir.

Q. So that you gave no consideration to the additional cost accruing in connection with that power, between the Violet Hill station, sub-station, and the delivery points of the Railways Company? A. No, sir.

Q. Do you have the k. w. h. purchased by the Edison Company for 1934? A. I have the purchase from the Metropolitan

*John B. Ink—For Respondent—Cross*

Edison Company in 1934, 13,303,000 k. w. h's.; from the Pennsylvania Water and Power Company, 44,348,600 k. w. h's.

Q. Just to clear up a little bit of your testimony, I believe, in answer to one of my questions as to where the power purchased from the Pennsylvania Water and Power Company is delivered to the Railways Company, you said the Central station and various sub-stations, and then, I believe in a later answer you said that none of that power was delivered to the Central station? A. None of the power that flows over the connection between the Violet Hill and Central generating station is delivered to the railway at the central generating station. The facilities of the two companies from which power is purchased are tied together between Violet Hill and the Smith Street sub-station. So it is impossible to say where the power comes from that is delivered to the Edison Company at the two points enumerated.

Q. Is it delivered to the Edison Company or the Railways Company? A. To the Edison Company and eventually to the Railways Company.

Q. Now, I believe you stated that there was no connection between the Violet Hill sub-station and the Metropolitan Edison Company service, is that right? A. No, I did not intend to state that. There is a connection.

Q. That is shown on exhibit No. 5, is it not? A. No, that exhibit does not show the connection between Violet Hill and the Metropolitan Edison Company. Exhibit No. 5 only shows the connections in the Central generating station.

Mr. Miles: . It is conceded there is a connection?

Mr. Miller: Yes.

By Mr. Miller:

Q. You have shown in line 10 of sheet No. 1, of exhibit No. 7, that the average power factor of the respondent company's electric system is 67 percent lagging. Can you tell me how that 67 percent figure was arrived at? A. That was arrived at by taking the sum of all of the reactive k. w. ampere hours or kilable ampere hours from all sources, that is from the sources

*Harry A. Reed—For Respondent—Cross*

Company quotation? Can you give that to us later in tabulated form for inclusion in the record? A. Yes, sir, I will be glad to.

By the Commissioner:

Q. Do you have the information, Mr. Reed? A. The information is in this volume. It is in several sections. It will have to be compiled to answer the question directly as Mr. Miller has asked it. It would be much clearer if I could give it in letter form for the record, as he has suggested. We have that information.

Q. Can you get the information, make the examination and get the information during recess and bring it in this afternoon? A. No, sir.

Q. Why? A. It will take more time than we have available to do that. All of the information necessary to answer the question is in the book and I want to check on that.

The Commissioner: Is that agreeable to you, Mr. Miller?

Mr. Miller: Yes, sir.

By Mr. Miller:

Q. Can you tell me the cost of the boilers delivered from the data you have available here?

Mr. Miles: You mean cost as of November 30, 1936?

Mr. Miller: That is right.

The Witness: I think that the answer to that question is \$34,144.

By Mr. Miller:

Q. That is the cost for both boilers? A. Yes.

Q. And not for each? A. Yes, sir, that appears to be for the two.

Q. Do you have the cost of erection on the foundation? A. You mean just the cost of erecting the boilers themselves?

Q. Yes. A. \$4,206.

Q. Do you have the cost of the foundation? A. Complete?

*Harry A. Reed—For Respondent—Cross*

Q. Yes, complete. You mean with brick work, boiler settings? What do you mean by complete? A. My interpretation of your question would require the structural steel, the excavation, concrete, back fill, brick work, side walls, and so forth: in other words, everything except the drums, the tubes, and the stokers.

Q. I would like the total cost and then I would like you to give me the cost of those items? A. \$5,086.42.

Q. Do you have the cost of the concrete in that figure? A. Yes, sir.

Q. What price per cubic yard did you use? A. \$9.00 for materials; \$6.00 for labor.

Q. How many cubic yards? A. 16.

Q. Can you give me the break down of the \$4,206 figure for the cost of the erection?

Mr. Miles: You are asking, and as I understand it, the break down of the figure of \$4,206?

Mr. Miller: Yes.

The Witness: I haven't a break down on that. The labor for the erection of the boilers solely was generally on a percentage basis.

By Mr. Miller:

Q. You mean that is the item of labor? A. Yes, sir.

Q. Returning to the materials, in connection with the foundation of the boilers, what was the cost used by you for brick work for boiler settings? A. For the red brick the cost of the material alone was \$31.73 a thousand; the labor was \$18.52; for No. 1 fire brick the cost of material was \$83.86 per thousand; the labor was \$20.09; for No. 2 fire brick the material cost was \$77.54 per thousand; the labor cost was \$20.09.

Q. Does that include mortar for the brick or did you figure that separately? A. I believe that includes the mortar.

Q. What was the cost of the stokers for those two boilers, the delivered cost used by you? A. \$17,302.

Q. That is for both of them? A. For the two stokers, yes, sir.

Q. Do you have the total brick work cost? A. No, I can add up those figures and give it to you. Shall I do that?



*Harry A. Reed—For Respondent—Cross*

Q. The figures you gave me were for various classes of brick?

A. Yes, sir, I have the totals by classes also, separated as to material and labor. I can add those two together.

Q. How many thousand brick did you figure on? A. 37,794 red brick; 17,139 No. 1 fire brick; 9,733 No. 2 fire brick.

Q. I am sort of hopping around, but what was the cost of installation of the stokers? A. \$972 each or a total of \$1,944.

Q. Will you refer to page 15 of the appraisal? I direct your attention to two items of two 520 horsepower boilers. Can you tell me the items in the appraised amounts of \$74,693 and \$62,489 that were included in the Babcock and Wilcox Company quotation? A. I will have to give you that answer at the same time with boilers Nos. 5 and 6.

Q. That will be satisfactory. Did you apply the same prices for erection, foundation and brick work as used in connection with the two 600 horsepower boilers, when you appraised the 520 horsepower boilers? A. You mean the same total prices or the same unit prices?

Q. The same unit prices. A. The same unit prices apply on brick work, excavation, concrete. The answer is, yes.

Q. Will you give me the totals for the 520 horsepower boilers, the totals of the erection, foundation and brick work cost? A. I am referring now to boilers 3 and 4. The cost of erection of the boilers only is \$3,772.

Mr. Miles: For the benefit of the sitting Commissioner may I inquire whether that is not the units of property that under your theory of this case should be excluded from the valuation thereof.

Mr. Miller: That is correct, Mr. Miles.

Mr. Miles: I take it that the purpose of this cross examination is only to test the prices in the event that this property is included in the valuation?

Mr. Miller: That is correct.

The Witness: The cost of material included under brick work, the foundation is \$3,750.65; the labor applying to the same material is \$1,380.08; the total for material

*Harry A. Reed—For Respondent—Cross*

and labor is \$5,130.73. You asked me for the same information on boilers 1 and 2; did you not?

By Mr. Miller:

Q. Yes. A. The cost of materials for the brick settings and foundations is \$3,004.37. The cost of labor estimated for installing these materials is \$1,297.20.

Q. What is the cost used for the Coxe Stoker delivered? A. Boilers Nos. 1 and 2, the cost of the stokers delivered is \$13,454.

Q. For Nos. 3 and 4? A. There are no Coxe Stokers for 3 and 4.

Q. Were they the Roney Stokers? A. Yes, sir.

Q. What was the delivered cost of them? A. \$5,122.

Q. For the two? A. Yes, sir.

Q. Can you give me the cost of the installation of the Coxe Stokers, the cost of installation of the two Coxe Stokers? A. The cost of installation for the two Coxe Stokers under Boilers Nos. 1 and 2 is \$2,524. The cost of installing the two Roney type stokers under boilers Nos. 3 and 4 is \$96.

Q. Referring to page 18, under Account 209, you will see two boiler feed pumps appraised at \$6,386. Will you give me the cost of those pumps delivered?

Mr. Miles: Mr. Miller, in all this series of questions you are propounding to the witness, where you ask for cost, I take it you mean reproduction cost as of November 30, 1936?

Mr. Miller: Yes. The cost delivered, which he applied.

The Witness: Your question was for the cost of the Epping Carpenter Company—

By Mr. Miller:

Q. For the two boiler feed pumps? A. The delivered price for those two boiler feed pumps is \$5,042.

*Harry A. Reed—For Respondent—Cross*

Mr. Miles: We merely want to keep the record perfectly clear here because you used the word "cost" and "value" interchangeably. These questions that you are propounding to Mr. Reed relate to its estimates of reproduction cost as of November 30, 1936 of the specific units with respect to which you are questioning him, is that right?

Mr. Miller: I want to know what figures he used to arrive at his estimates. When he appraised the two boilers, the boiler feed pumps, for example, at \$6,386, I want to know the delivered cost of the pumps.

Mr. Miles: The point is he did not appraise it at that. That is his estimate of reproduction cost of those units.

By Mr. Miller:

Q. Taking the one boiler feed pump with your reproduction cost appraisal figure of \$3,778, will you give me the delivered cost used by you for this pump?

The Commissioner: Before the question is answered, let us see if the witness understands the point of view raised by the respondent in this case. You are testifying now as to the reproduction cost as of November 30, 1936, are you?

The Witness: Yes, sir, that's correct.

The Commissioner: And not as to the actual cost?

The Witness: That is right.

The Commissioner: Or as to the value?

The Witness: Or as to the value.

(The previous question on the record read by the stenographer as follows: "Q. Taking the one boiler feed pump with your reproduction cost appraisal figure of \$3,778, will you give me the delivered cost used by you for this pump?")

The Witness: \$3,028.

*Harry A. Reed—For Respondent—Cross*

By Mr. Miller:

Q. Under Account 210 you have a figure of \$15,585 for condenser, which you stated was based upon a quotation obtained from the manufacturers. What was the delivered quotation?

A. The delivered cost as of November 30, 1936 is \$12,362.

Q. Referring to page 26 of the appraisal, Account 211, item 1, 5000 k. v. a. turbines, what is the delivered cost of that turbine?

A. The estimated cost as of November 30, 1936 is \$84,050.

Q. On what did you base your estimate? A. From the Westinghouse Electric and Manufacturing Company, \$83,800 f. o. b. Essington Factory, plus freight of \$250 to York.

Q. Then it was their estimate? A. That is correct.

By the Commissioner:

Q. I believe you stated it was a quotation? A. That is correct, a quotation received from the Westinghouse Company.

By Mr. Miller:

Q. What was the cost used by you for the foundation of that turbine? A. \$1,517.60.

Q. The cost of installation? A. Installing the turbine unit, you mean?

Q. Yes, for the 5000 k. v. a. turbine? A. \$3,352.

Q. Referring to the 2500 k. v. a. turbine, what was the delivered cost figure used by you on that? A. We used Westinghouse Electric Manufacturing Company's quotation of \$42,800, f. o. b. factory plus \$139 for freight. The delivered price is \$42,939.

Q. Your foundation cost figure? A. \$908.64.

Q. What was the delivered cost of the condensing equipment for the 2500 k. v. a. turbine? A. There is no condensing equipment for the 2500 k. v. a. turbine. It is non-condensing.

Q. Mr. Reed, there was originally condensing equipment on that turbine, was there not? A. Oh yes, as originally installed it included condensing equipment.

Q. You have included in your appraisal no condensing equip-

*Harry A. Reed—For Respondent—Cross*

ment? A. No, sir, there is none. It is not now designed to operate as a condensing turbine.

Q. Was your quotation from the Westinghouse Company based upon the original condition of the turbine or without the condensing equipment, as it existed in November of 1936? A. With the turbine as it existed as of November 30, 1936.

Q. Will you refer to Account 207, page 4 to 13? You will find an item of concrete, \$7,677. What is the cost per cubic yard used for that item? A. That item is made up of about twenty sub-items at varying costs per cubic yard. Shall I read them all into the record?

Q. Can you give me the total number of cubic yards? A. No, sir, because part of this work is taken off in cubic yard, part of it in lineal feet, and part of it in square feet, I can give you the figure for those that are in the basement floor, which is 18 inches thick. There are 50 cubic yards of concrete, and the material cost is \$8.30, and the labor cost is \$1.82, making a total of \$10.12 per cubic yard. There is 114 cubic yards of 24 inch floor, with a material cost of \$8.08, a labor cost of \$1.77, or a total cost per cubic yard of \$9.85. Those are the items in this estimate that are expressed in cubic yards.

Q. There is a figure of \$7,391 for brick. Can you give me the quantity of brick and the cost per thousand for laying? A. Including material?

Q. Yes. A. There are 202,500 common brick. The material cost is \$20.00 per thousand; the labor cost is \$16.50 per thousand, or a total of labor and material cost of \$36.50 per thousand brick in place.

Q. On your excavation figures what cubic yard cost did you use for earth excavation? That is in the structures account. A. As I recall, that varied in different places. If you will refer to the turbine which we have recently been discussing, for hand excavation the cost is 80 cents per cubic yard; the cost of machine excavation is 43 cents per cubic yard.

Q. Did that vary as between rock and earth? A. Yes, sir, rock excavation is \$2.50 per cubic yard.

Q. Is that additional or is that inclusive of the earth excava-

*Harry A. Reed—For Respondent—Cross*

tion figure? A. For rock excavation only, \$2.50 per cubic yard, for all rock excavated. Where there was earth only in the trench, the cost would be 80 cents per cubic yard. We have classified the type of material on which we were working.

Q. Referring to page 5, I assume that those unit prices given me were applied to the item on page 4? A. Yes, sir.

Q. Referring to page 5, will you tell me if the same unit costs were applied for the item on page 5, that is, with the comparable item of concrete, brick, steel and excavation on page 5? A. For earth excavation and rock excavation the prices are the same. There is a variation in the prices per cubic yard of concrete from those given for the turbine room on page 4.

Q. Will you give me the unit prices on the concrete for page 5? A. They will vary between \$10.66 per cubic yard and \$33.35 per cubic yard.

Q. Can you give me the quantity of concrete, the total quantity? A. I don't have it. We have broken that up into various classes of concrete. Part of it is expressed in lineal feet, part of it in square feet and part of it in cubic yards.

Q. Can you give me the figures for brick, the quantities and the unit costs? A. There are 250,700 common brick, for which the material cost is \$20.00, and the labor cost is \$16.50, or a total of \$36.50 per thousand brick in place.

Q. Referring to page 6, did you use the same unit costs for excavation as on page— A. I have been under a misapprehension. These answers I have been giving refer to those items on page 6. Had you been referring to page 5?

Q. I was referring to page 5. Will you turn back to page 5? A. That is under the heading of the old boiler room on page 5?

Q. Yes. A. Hand excavation for earth on page 5 appears at two different unit prices. For ordinary excavation it is 80 cents; for tunnel excavation it is \$1.25 per cubic yard; for rock excavation it is \$2.50 per cubic yard.

Q. Can you give me the quantity of rock excavation that you figured in that? A. Yes, sir, 141 cubic yards.

Q. Will you give me the brick figure and the concrete figure? A. There are 121,200 common brick at \$36.50 per thousand in



*Harry A. Reed—For Respondent—Cross*

cheaper than hemlock on the market? A. I will have to check up on these prices to see. I should have said it was fir and spruce rather than hemlock.

Q. No hemlock? A. I do not think I am figuring any hemlock in this.

Q. You used either fir or spruce in all your forms in this work? A. I believe that is correct, sir.

Q. Do you know what the thickness of these boards were which were used on those forms? A. One inch matched and dressed. That is for the form work alone.

Q. Is the matching and dressing of any extraordinary character, or is it rough matching and dressing? A. It is the ordinary mill output of matched and dressed timber.

Q. What is your quotation on fir per square foot? A. I believe we used \$38.00 a thousand.

Q. Using that for square feet, what do you find? A. 3.8 cents per square foot.

Q. Three and four-fifth cents a square foot? A. Yes, sir.

Q. Will you tell me how you arrive at a cost of, say, 25 cents a square foot for the material for which you paid three and four-fifth cents? A. The material about which we have been talking is only a part of the material that is used.

Q. What else is used? A. Vertical and horizontal bracing, two by four timber. Some of it is two by six, some of it is four by six.

Q. What wood is used in those braces? A. It was spruce.

Q. What are the dimensions of those braces? A. They vary anywhere from two by four inches up to and including four by six inches.

Q. What is the quotation on lumber of that dimension? A. That will run between \$40.00 and \$45.00 per thousand.

Q. Reduced to lineal feet or square feet— A. Four to four and a half cents per square foot.

Q. Have you any other material in your forms besides these two types of cut lumber that you have described? A. No other type of lumber, no, sir.

Q. Is there anything else? A. We have braces.

*Harry A. Reed—For Respondent—Cross*

Q. What do you mean by braces? A. Diagonal pieces of wood, sometimes metal, for supporting the wall, to hold it in a rigid position while the concrete is being poured.

Q. Is it metal or wood? A. Some of it is metal and some of it is wood.

Q. If it is metal it would have to be milled and shaped? A. No, sir, in some of this work we use pieces of props as struts to hold up the wall. I was answering your question particularly as to how these walls can be supported.

Q. You are talking about forms? A. Yes, sir.

Q. Did you in making your estimate of 20 to 25 cents a foot include nails and other material? A. Yes, sir.

Q. You have described exactly the type of lumber that went into these forms? A. Exactly the type of lumber that we estimated, we used in building.

Q. You have included also in your estimate nails and iron pipings that were used as struts for braces? A. Yes, sir.

By Mr. Miles:

Q. Your estimate also includes labor, doesn't it? A. Yes, sir.

By the Commissioner:

Q. You do include labor in your 20 to 25 cents a foot? A. Yes, sir, the labor of placing and the labor for removal of forms after they have served their purpose.

Mr. Miles: I take it there is a certain amount of waste, which will run about 15 to 20 percent.

By Mr. Miller:

Q. Do you include waste in your price per cubic foot? A. Yes, sir, that is one of the places we can use it.

Q. Approximately how much of the concrete work on this plant was rough concrete, and how much finished concrete? A. May I have your definition, Mr. Miller, of finished concrete? It is used specifically in some cases. I do not know exactly

*Harry A. Reed—For Respondent—Cross*

how to answer your question. For example, a floor slab, some of it is referred to as finished concrete, as opposed to rough concrete.

Q. I am thinking primarily of the walls. You would require a smooth surface of form for finished concrete, but you could use a rough surface form for what I may refer to as rough concrete? A. At a higher cost.

Q. No, the cost would be lower. A. Actually the cost of matched and dressed lumber delivered to a job is less than rough lumber.

Q. That seems impossible. A. It does seem paradoxical but the reason is that the cost of dressing the lumber is only a fraction of the saving in freight in the volume of lumber shipped.

Q. Even so, that cost, however small, would be added to the rough lumber cost? A. Yes, you have a higher freight rate for the rough lumber than you do for the dressed lumber.

Q. Your one inch rough boards will stack one inch, and when you are buying matched and dressed lumber the actual thickness is seven-eighths of an inch? A. Yes, sir, but you can stack a great many more boards per car of dressed lumber than you can of rough lumber. The saving in freight offsets the cost of matching and dressing, so that in estimating today it is very rare that a contractor ever figures on anything but dressed lumber for his form work.

By the Commissioner:

Q. What is the practice generally in building forms? Is hemlock ever used? A. Not very much any more, but it has been.

Q. Have you used hemlock? A. Yes, sir, 25 years ago.

Q. What is the difference in cost between hemlock, fir and spruce? A. I have no quotations at the present on hemlock.

Q. What is your impression? A. I had no occasion to use hemlock for a great many years.

Q. Referring again to the wooden braces, what proportion of the construction is the bracing? A. I will answer your question this way, that for every square foot of wall we estimate three square feet of timber.

*Harry A. Reed—For Respondent—Cross*

Q. Your estimate is that the wood used in that construction will be used two and a half times? A. Some of it, yes, sir.

Q. Is there any difference between the cost of fir and spruce? A. Very little.

Q. For every square foot of fir or spruce that would cost you three cents you would use that two and a half times? A. After giving allowance to waste in making the forms.

Q. You are making that allowance in your estimate? A. Yes, sir.

Q. You would use that three cent square-foot two and a half times? A. 3.8 cents.

Q. Three and four-fifth cents? A. Yes, sir.

Q. You would use that two and a half times? A. Yes, sir.

By Mr. Miles:

Q. Can you tell us why hemlock is no longer commonly used for work of this character? A. First of all it is rather scarce, it warps and cracks in use when exposed to the sun.

By the Commissioner:

Q. Fir and spruce are fairly common? A. Yes, sir.

By Mr. Miller:

Q. Referring to Exhibit 8, Account 209, boiler plant equipment, will you tell me the percentage applied to the various items to make up the accrued depreciation of \$57,105? A. We have applied 17 percent for accrued depreciation on boilers Nos. 1 and 2, 15 percent on boilers Nos. 3 and 4, 15 percent on boilers Nos. 5 and 6, 15 percent on coal spouts and gates from the coal bunker; 15 percent for one forced draft fan; 15 percent on a second forced draft fan; 10 percent on a Hagan master controller; 10 percent on the balance draft installation; 10 percent on the Mason damper regulator; 15 percent on steel boiler breechings; 15 percent on steel walkways and platforms; 15 percent on both boiler feed pumps; 15 percent on one feed water heater; also 15 percent on the feed water treatment equipment.

*Harry A. Reed—For Respondent—Cross*

of property only, it would not. However, in this case we are not dealing with a single unit of property, we are dealing with a property in its entirety, and also going out of service, as I have suggested, in possibly six months, is an unusual hazard. It is obsolete in the entire accrued depreciation figure rather than in a specific amount for an individual item of property.

Q. Then do I understand that you have made no attempt to estimate the remaining useful life of these various items of property? A. I know of no way of ascertaining it.

Q. In computing your depreciation you have not attempted to estimate the remaining useful life of the items on which you have estimated the accrued depreciation, is that correct? A. That is correct.

Q. Account 207 of Exhibit No. 8, will you give me the percentage applied to the various structures in that account, to make up the accrued depreciation figure of \$73,984? A. In Account 207, turbine room, we have estimated the depreciation, the accrued depreciation, at 2 percent.

Q. What is the age of that room? A. Approximately 23 years, I believe.

By Mr. Miles:

Q. That is just the building you are talking about without any of the equipment installed, is that right? A. That is correct. That is all covered.

By Mr. Miller:

Q. As to the old boiler room, can you give me the percentage you used on that? A. 10 percent for accrued depreciation.

Q. What is the age of the old boiler room, the structure alone? A. It was built in varying periods from 1897 to 1936. The main boiler structure, however, was built in 1920. I believe that is the year of the greatest investment in dollars. As to the new boiler room structure, the new boiler structure, we have estimated the accrued depreciation at 2 percent.

Q. What is its age? A. Approximately twenty years.

*Harry A. Reed—For Respondent—Cross.*

Q. What percentage did you use to determine the accrued depreciation of the rotary room structure? A. 2 percent.

Q. What is its age? A. That was built in varying periods, from 1897 to 1934. It is difficult to refer to the age of the room as a whole. Most of it has been in over 20 years.

Q. Referring to Account 211, will you give me the percentages applied to arrive at the accrued depreciation figure of \$28,248?

A. Account 211, 4000 k. w. turbine generator, we have estimated the accrued depreciation at 20 percent of its reproduction cost new.

Q. How old is that? How long has it been installed? A. About 21 years.

Q. There is another turbine under that account? A. Yes, sir. The 2000 k. w. turbine, we have estimated the accrued depreciation at 15 percent.

Q. How old is that? A. That was installed in 1911 and rebuilt in 1930-31.

By the Commissioner:

Q. Was it completely rebuilt? A. No, sir, only in part.

Mr. Miles: Only such parts as were worn out. It was rebuilt to meet a changed condition of operating.

By the Commissioner:

Q. What would you say its useful life has been, taking into consideration that factor of rebuilding? A. The original turbine was installed in 1911, which would give it 26 years for the original unit. The original unit was rebuilt to meet a changed condition of operating in 1930-1931. In that state, which is the way it exists today, it is about six years old.

By Mr. Miller:

Q. In course of its rebuilding in 1930-1931, was it reduced in generating capacity, electric generating capacity? A. I believe it was reduced in electric output.

Q. And the changing condition which you refer to as the cause of the rebuilding was a condition which made it advisable



*Harry A. Reed—For Respondent—Cross*

place, the material and labor prices being the same as those I have previously given. -

Q. Are your concrete unit prices similar to those stated by you for page 6? A. They vary from \$10.66 per cubic yard to \$31.60 per cubic yard.

Q. Where would the thirty-one dollar price apply? A. It applies to 5.4 cubic yards of concrete reinforced, 6 inches thick in the walls, and the increase in price over the whole figure is due entirely to the inclusion of form work. In other words, we are figuring in our unit price the finished product which includes the material, the reinforced steel, plus the wood forms that are necessary. There is a very small amount of form work per cubic yard. There are other areas where the form work may be five or ten times as much per cubic yard, and the unit price per cubic yard on the finished product increases as the amount of the form work per cubic yard increases.

Q. On this \$31.00 concrete work, those forms must have been exceptional? A. The forms are not exceptional. It is simply the fact that you are dealing with a thin section of wall, 6 inches thick, with forms on either side of it.

Q. Why would that increase the cost per cubic yard? A. I may explain it this way: A cubic yard of concrete placed in a 6 inch wall equals 54 square feet of wall, in other words, 6 inches thick, 27 cubic feet, and the cubic yards would give you 54 square feet of wall, and 54 square feet of wall will have 108 square feet of form work. The form work would cost between 20 cents and 25 cents per square foot. Therefore, your form work, in a 6 inch wall, will cost you between \$20.00 and \$26.00 per cubic yard alone, plus approximately \$10.00 for the base cost of the concrete material. That will give you a total cost for the finished concrete in that wall of a price over \$30.00.

By the Commissioner:

Q. Your form work is the building of a wooden form? A. Yes, sir, the building of a wooden form.

Q. You include in that cost 20 cents per square foot? A. It varies between 20 cents and 25 cents.

*Harry A. Reed—For Respondent—Cross*

Q. A square foot? A. Yes, sir.

Q. That includes the cost of lumber? A. Yes, sir.

Q. And the manual work of nailing it together? A. Yes, sir, and taking it down.

Q. You use that lumber over and over, don't you, in form work? A. You can use it from two to two and a half times on the average job. We have estimated on that basis.

Q. Your estimates cost of 20 to 25 cents a square foot contains in it the estimate of using that over two and a half times? A. In some cases two and a half times, in others two, depending upon the kind of work. We have attempted to vary the unit cost for materials according to the type of work being put in.

Q. You do not use the lumber more than, say, three times, do you? A. It is uneconomical on power station work.

Q. Why? A. Because you don't have a duplication of the same kind of work, in a power station as in the ordinary loft type of industrial buildings, where the concrete work is similar, and the form work can be used as many as five times before the lumber is eventually destroyed. But in power house work everything is custom built and we do not have the opportunity for repetition of use.

Q. You have pillars that are part of your form work, concrete pillars? A. Very few of them in this power station. There are some below ground. Above ground it is all structural steel.

Q. You say you include in this estimate given by you the use two and a half times of lumber? A. Yes.

Q. I am asking you what would be the cost if the forms were only used once? A. The material cost would be from 6 cents to 8 cents per square foot higher.

Q. Are you talking about in your estimate materials— A. Material and labor.

Q. What would be the combined material and labor estimate if the form were only to be used once? A. For similar kind of concrete it will probably be around 33 cents.

Q. What kind of timber is tabulated in your estimate? A. Mostly fir and hemlock.

Q. Is that the cheapest kind of timber? Is there anything

*Harry A. Reed—For Respondent—Cross*

Q. Did you mention stoker equipment? A. I haven't come to that yet. I beg your pardon, Mr. Miller, the percentages that I have given you for the boiler depreciation is a complete boiler unit installed, and all of the appurtenances that make up a complete operating boiler unit.

Q. What factor of obsolescence did you apply in arriving at your depreciation of percentages, for boilers 1 and 2, for example? A. I haven't applied any particular percentage for obsolescence.

Q. Isn't obsolescence the major factor in depreciation? A. It is in certain types of equipment. As a general statement I cannot go along with you.

Q. Is it in connection with boilers 1 and 2? A. Obsolescence is one of the predominant factors that I feel exists in the accrued depreciation we have found in the boilers in the Edison Light and Power Station. I have assigned no specific percentage for obsolescence alone.

Q. How long have boilers 1 and 2 been installed? A. They have been installed over two years.

Q. They have a depreciation of only 17 percent? A. Yes, sir.

By the Commissioner:

Q. Pardon me, before we pass away from this matter of forms, you recognize that has about a foot in linear measurements? A. Yes, sir.

Q. Reducing what you testified to to its elementals, would you say that your figures would result in a cost of \$1.25 for the making of a box one foot square as to its bottom and as to its four sides, using your figure of 25 cents a square foot, with iron braces at the corners of the boxes? A. I wouldn't build a box that way.

Q. Would you say that \$1.25 would be a fair price for the building of such a box? A. You mean a box to be used for reinforced concrete work? A. No, just the box. Suppose you were required to build one hundred boxes or one thousand boxes, would your figure hold good then, that it would cost \$1.25 a box,

*Harry A. Reed—For Respondent—Cross*

figuring lumber, figuring braces, figuring nails, would you say that was a reasonable price? A. No, sir, the price that I have mentioned for form work has no place in the construction of the price for a box.

Q. Would it be costlier to build the form than to build the box? A. Yes, sir.

Q. Why? A. Some of our form work is 60 feet in the air and you have to have scaffolding—

Q. Then it is the cost of ladders or scaffolding that would make the difference? A. The cost of scaffolding enters into it.

By Mr. Miles:

Q. I presume your forms have to be air tight, don't they, or water tight? A. They have to be water tight at least, so that the fluid in the concrete mixture will not run through.

By Mr. Miller:

Q. On the basis of 17 percent accrued depreciation in 20 years on boilers one and two, they would last how many more years? A. Maybe only six months. There is no relation between the two.

Q. Your accrued depreciation reserve would not replace the boiler at the end of its useful life, or would not permit the replacement of the boiler at the end of its useful life?

Mr. Miles: I would like to know if counsel is talking about the estimate of accrued depreciation?

By Mr. Miller:

Q. I am talking about the accrued reserve for this particular piece of property on the 17 percent basis and the 20 year life, if the remaining life of six months, if that suggestion should turn out to be the fact, my question is, Mr. Read, whether or not the accrued depreciation on this item, and the reserve set up under that percentage of accrued depreciation, if that has been used, would that permit the replacement of the property at the end of six months? A. If you were dealing with the single unit

*Harry A. Reed—For Respondent—Cross*

to rebuild this turbine so that it could generate steam more easily, is that correct? A. Not generate steam, so that it could more economically use the steam in the station.

By the Commissioner:

Q. There is an estimated cost of repairs of how much? A. \$8,154.

Q. What was the original cost? A. \$27,817. They were not necessary repairs, Mr. Commissioner. They were a re-design.

Q. What do you say, taking into consideration the rebuilding, the age of the turbine, is your estimate? A. The turbine as rebuilt is over six years old. Part of it is twenty-six years old.

Q. What is your estimate then as to that piece of machinery with reference to its actual age? A. You mean considering the actual age of the piece of machinery that was built in various periods?

Q. The age would be as old as its weakest link? A. That might well be true.

Q. It might well be that the true depreciation of this piece of machinery would be 26 years? A. Not if you apply your conception of age because the weakest link in the machine was the part rebuilt in 1930.

Q. You said it might well be 26 years? A. It might well be. That was in answer to your question as to the weakest link.

Q. What is your estimate as to the accrued depreciation of that piece of machinery? A. 15 percent of its reproduction cost.

By Mr. Miller:

Q. Are there any other items under Account 211? A. Yes, sir, there is a Westinghouse turbine generator exciter set, for which we have estimated the accrued depreciation as 15 percent of the reproduction cost as of November 30, 1936.

Q. How old is that? A. 26 years.

Q. Are there any other items? A. There is a small item of \$86 for a mercury column vacuum gauge. On this we estimated the accrued depreciation to be 10 percent of its reproduction cost. That completes Account 211.

*Harry A. Reed—For Respondent—Direct*

Q. Will you give me the percentages applied to the various items of property to make up the amount of \$47,141 accrued depreciation? A. That is in Mr. Favor's account.

The Commissioner declared a recess until 1:30 o'clock p.m.

---

AFTERNOON SESSION.

HARRY A. REED, recalled.

*Direct Examination.*

By Mr. Miles:

Q. Mr. Reed, referring to Account 209 in Respondent's Exhibit No. 2, which relates to the reproduction cost of the boiler plant equipment, I will ask you to refer to page 16 of that exhibit and state to the Commissioner by reference to your work sheets all of the factors considered by you in arriving at your estimate on the accrued depreciation on those two boilers? My question relates to boilers Nos. 1 and 2. A. My first consideration was the fact that these two boilers were both used and useful in our judgment at the time we made the appraisal.

Q. By that you mean that they were used and useful in the rendition of the service and business of this company? A. Yes, sir, we examined the boilers, determined to what extent wear and tear had in any way impaired the efficiency of the boilers, or what effect they might have on their usefulness in service. We considered the type of boiler. By that I mean, its engineering characteristics as to pressures, and so forth, in comparison with the more recent type boilers which are being currently used in electric power stations, as a measure of any obsolescence due to the changes in the art. We also considered whether these boilers were adequate for the service that they were called upon to render. Taking all these things into consideration, together with our understanding through investigation of how many years they had been in service, we felt and still feel that an allowance



*Harry A. Reed—For Respondent—Direct*

of 17 percent of the reproduction cost as estimated by us for this installation represented in dollars the amount of accrued depreciation in those boiler units as of that date. When I use the term "boiler units" I include all of the elements, mechanical and otherwise, that enter into a complete operating unit, which includes boilers, stokers and all other minor accessories that are necessary for a boiler to function.

Q. Will you tell us whether any recent tests have been made by the company as to the operating efficiency of these boilers? A. Yes, sir.

Q. What was the nature of them? A. Tests were made on each bank of boilers in the power station, and these tests indicate very conclusively in my mind that there is very little loss in efficiency and economy in all these boilers throughout the twenty or more years of age, as compared to the rated capacity of the boilers at the time they were purchased. In other words, they are still able to produce very close to the rated capacity as stipulated in the original purchase contract.

Q. Mr. Reed, does not the policy of a given company with respect to the maintenance of the property of this character have a marked effect upon the extent to which such property may be depreciated? A. It has a very decided effect.

Q. In other words, one unit of property might be five years old and have been poorly maintained, and depreciated more than a similar unit at 15 years old properly maintained? A. Yes, sir, that is correct. It is also possible that a machine in your illustration of 5 years of age, not properly maintained, can have passed the stage where it can be restored. In other words, the deferred maintenance has represented a permanent depreciation factor.

Q. Is there any development of the art, so to speak, respecting a method and design of boilers of this character, that indicates any probable immediate obsolescence with respect to these particular units which are owned and operated by the Edison Company? A. Not these units devoted to the service which they are now rendering.

*Harry A. Reed—For Respondent—Cross**Cross Examination.*

By Mr. Miller:

Q. Do you mean that they might be devoted to some other service than that they are not now rendering and might become obsolete for that reason? A. I can visualize types of service where these particular boilers in my judgment would not be recommended; changes in the art and improvement in boilers for certain purposes would be more adaptable for that class of work. For this particular type of service I do not think that the changes in the art have brought out the boilers that I would recommend over and above those already there.

By Mr. Miles:

Q. If it were a base load station, as distinguished from an emergency or stand by plant, is that what you mean? A. Yes, sir.

By Mr. Miller:

Q. Is there any intention on the part of the company to place these boilers in a base load station? A. I know of none.

Q. As I understand it, although you testified that age was not the major factor in your determination of the accrued depreciation, you did take age in connection with each class of property in arriving at an accrued depreciation figure? A. I always try out certain elements in depreciation, primarily as a warning of what to look for, not necessarily as a measure of any change that may have taken place, but as a warning to look for to see whether hidden things have influenced the deterioration in that unit.

Q. You would take age into consideration in determining accrued depreciation, but I believe your thought is that age would be used to determine a proper annual allowance for depreciation, but that the remaining life cannot be used to determine the proper allowance for annual depreciation, is that right? A. I have always considered the remaining life to the extent that the company policy indicates the continuance in service of the units of property. I have no evidence, however, as to how long

*Harry A. Reed—For Respondent—Cross*

that policy will last. Therefor, I am unable to say how long the remaining age of any particular item of property is, and that cannot be determined in my judgment until the management has decided when that piece of property is going out.

Q. How would you estimate the annual depreciation? A. I haven't made any studies on that question.

Q. Your figure for accrued depreciation on boilers Nos. 1 and 2 was 17 percent. Your basis for determining the accrued depreciation was rather general, Mr. Reed. Can you tell me how you arrived at a specific figure of 17 percent? A. That is purely a mental process, taking into consideration the various elements which I have said I included in the accrued depreciation, mentally evaluating each one, wear and tear, obsolescence, inadequacy and so forth, using the percent figure as a means of expressing the dollars of accrued depreciation, which I believe to exist in the particular unit.

Q. Another engineer equally as competent might arrive at 10 percent? A. That is true.

By Mr. Miles:

Q. Is it true that it is always an estimate? A. It is always an estimate, nothing else.

Q. It is a matter of judgment? A. Yes, sir.

By the Commissioner:

Q. Mr. Reed, waiving for the moment the esoteric and highly technical features on this question and the manner in which you arrive at your estimate of 17 percent as to the amount of depreciation, if you were employed to advise a company who hired you to purchase units, would you advise the purchase of boilers A and B, with their appurtenances, at 17 percent less than the par value outlined by you in your examination in chief?

Mr. Miles: As I understand it, the question is whether Mr. Reed would advise the Edison Light and Power Company with respect to the installation of the same boilers?

The Commissioner: If these were in the market.

Mr. Miles: If they were in the market, would he advise

*Theodore E. Seelye—For Respondent—Cross*

them to buy these boilers?

The Commissioner: At the price named here, less 17 percent.

Mr. Miles: The exhibit which is under examination here is not an exhibit relating to any problem of prudential investment or secondhand value, but is an effort to find the reproduction cost of the unit of property.

By the Commissioner:

Q. If the plant were to be sold as a whole and you were called in by the intending purchaser to advise as to the value of the purchase price, would your estimate of depreciation and depreciated value be what your testimony is now, viewing these boilers A and B with their appurtenances—would your advice as a consultant of the intending purchaser be as you have outlined it now? A. I think it would, yes, sir.

By Mr. Miles:

Q. You have testified as to the factors considered by you in arriving at your estimate of the accrued depreciation on boilers Nos. 1 and 2, mentioned on page 15 of Respondent's Exhibit No. 2. Were those same factors and that same general line of approach adopted by you with respect to all of the other items embodied within Account 209? A. Yes, sir, the approach was identical.

---

T. E. SEELYE, recalled.

*Cross Examination.*

By Mr. Miller:

Q. Mr. Seelye, will you refer to Account 213 on pages 35, 36 and 37? Is the panel switch board with equipment appraised at \$3,067, not used exclusively for supplying service to the Pennsylvania Railroad Company?

*Theodore E. Seelye—For Respondent—Cross*

Mr. Miles: I have no objection to the witness answering the question, if he knows, but Mr. Favor was the witness who offered all that testimony with respect to that account number.

Mr. Miller: Mr. Seelye, offered the general exhibit.

The Witness: It is described on the page as one switch board, 10 feet 8 inches long, 76 inches high, composed of 6 one and one half inch two section ebony asbestos panels, mounted on angle iron supports, used for control of two 100 cycle motor generator sets and their output for the Pennsylvania Railroad service.

By the Commissioner:

Q. The question was, was it in whole or in part used for Pennsylvania Railroad service? A. It is used entirely for Pennsylvania Railroad service.

By Mr. Miller:

Q. Would that answer apply also to the two motor generator sets appraised at \$6,209 in Account 212, page 28? A. Yes.

By Mr. Miles:

Q. What is the character of service rendered to the Pennsylvania Railroad Company? A. The Pennsylvania Railroad Company uses the energy received through this switch board and from these motor generator sets at 100 cycles for signal control. It is simply equipment which was installed by agreement with the Pennsylvania Railroad for the purpose of rendering this specific service.

By Mr. Miller:

Q. Does the Edison Company maintain a direct current 220 volt Edison free wire distribution system? A. Yes, I think so.

Q. Referring to page 54, Account 213, one lot of conduit cable, wiring, \$47,000, can you give me the amounts included in that total for conduit and cable from the high voltage switch board to the 1000 kilowatt railway rotary transformer? A. I cannot give you that now.

*Theodore E. Seelye—For Respondent—Cross*

Q. Will you furnish that, and also the amount included for conduit and cables from the switch board to the transformer for the three 300 railway rotary transformers? A. Yes..

Q. I think if you would give me the break down of this \$47,600, that would answer most of my questions along that line? A. All right.

Q. Mr. Seelye, you used a figure of 8 percent return as a reasonable return in the past for this company. What factors did you take into consideration in fixing upon that percentage? A. I think that that figure of 8 percent was used in connection with the development of studies in connection with lag, at the time of the original organization of Stone and Webster of the present Edison Light and Power Company, those organizations dating back to the early eighties at which time the electric industry was at least in its infancy, it was a highly hazardous business from the standpoint of investment, and the general return upon the money at that time, in those days, was higher than return secured today. The companies were not subject to regulation. Had they been subject to regulation and limited to a 6 percent return, it is probable that there would be no electrical industry today because nobody would have taken the chance of spending the money required in developing this great industry, as it has been developed. I think that 3 percent is lower than an ordinary investor would have been justified in taking the chance at that time, and I used 8 percent as a means, so to speak, between the present 6 percent return, which has been allowed by this Commission in some of its recent cases, and 10 percent, which is probably more than likely what would have been demanded at that time, in the early years of this Commission, representing a 7 per cent return in practically all utility companies, and that rate persisted until a very few years ago.

By the Commissioner:

Q. Are you including in your explanation the fact that the early stage was one of write ups and other questionable practices? A. No, sir.



*Theodore E. Seelye—For Respondent—Cross*

immaterial whether we make allowance for the rate of return or in the operating expenses. The result will be the same, as far as the public is concerned.

Q. It was those considerations which led you to use the 7½ percent figure instead of 6 percent? A. Yes, sir.

Q. Did you make any studies of business conditions in the territory to determine what the yield on investments is at present or when you gave your testimony? A. What type of investment?

Q. Generally. A. I am informed that the territory in York and the surrounding territory today is in a highly prosperous condition, probably as good as it ever has been.

Q. I mean for the purpose of determining the rate of return to apply to the property. Did you make any investigation of the yields on stock or yields on anything of that sort? Did you make a detailed study that included that question, a detailed study on that angle of the question? A. No, I do not think it is pertinent to this question. The 7½ percent return which was suggested is not equivalent to the imposition of an additional burden of 1½ percent on the operations of the company. If the company does not succeed in earning 7½ percent then the operating expense will increase in an amount sufficient to lead the company into its present position, so that it will have the present operating expense in toto, excepting that the other operating companies will probably not be able to continue, particularly referring to the Railways Company.

Q. As I understand it, you made no investigation of the possibility that the 1½ percent could be added to the base figure of 4 or 5 percent? A. No.

By the Commissioner:

Q. In the event that there shall be a severance of the Railways Company from the Light property, and the bondholders, the investors generally in the Railways Company, will be compelled to assume all of the burden of the Railways Company, will your estimate of 7½ percent return on the Light Company properties still stand? A. If the Railways Company is to con-

*Theodore E. Seelye—For Respondent—Cross*

tinue in service, if the Railways Company is to continue to serve the public in York, then the answer is yes. If the Railways Company is to discontinue its service, then the operating expense of the Electric Company would be increased, insofar as the electric consuming public is concerned. Of course, the public would be deprived of the transportation service.

Q. They would still have the buses? A. If somebody provided them, I suppose.

By the Commissioner:

Q. You then say that the alternative is continuance of the transportation service, with the  $7\frac{1}{2}$  percent allowance, or complete extinction of all transportation service and an additional  $1\frac{1}{2}$  percent upon a nominal 6 percent, as a burden on the taxpayers? A. Yes, sir.

Mr. Miles: You mean rate payers?

The Commissioner: Rate payers.

By the Commissioner:

Q. You do not visualize such a condition as has happened in Harrisburg, where the Transportation Company changed to buses and reduced its obligation to bondholders and other investors, and thereby merged from the red into the black? A. Yes, sir, I can visualize that, but the Harrisburg Railways Company is not affiliated with an Electric Company. In the instance of the York Company they are at the present time and have been for many years confronted with various problems which would not confront the Harrisburg Railways Company.

Q. Your conception is that down in York reside a pair of Siamese Twins for whom a surgical operation is necessary? A. No, sir, I do not think that is so.

Q. They both cannot live as separate entities? A. No, I do not think that is so.

By Mr. Miller:

Q. How much would the operating expense be increased in your opinion if the properties should be separated? How much

*Theodore E. Seelye—For Respondent—Cross*

Q. Exploitation involving processes discreditable to the industry? A. No, sir, I only considered the investment of the company. I do not know that there was anything discreditable in the early history.

Q. You do not know anything about the history of the write ups of Insull and others? A. I don't think they had anything to do with the early companies in York.

Q. You are confining yourself to York? A. Yes, sir.

Q. I thought you were generalizing about the birth of an infant industry? A. I think it would not materially change what I have had to say.

Q. You say that whatever applied to the practices in the early days, with the development of electrical industry, before it came under regulation, would apply to York also? A. Yes, sir, I do not think that the write ups that you refer to have any bearing on the rate of return that should be allowed on the invested capital.

By Mr. Miller:

Q. What did you say was the first item which you considered in arriving at the 8 percent return? A. The hazardous character of the infant industry.

Q. I understood that to be the second, as I have it listed here. I thought you mentioned something as to the general business conditions, the return in the territory? A. No, I did not mean that.

Q. Will you give me again the factors you did consider? A. The factors briefly were the fact that the industry was at its inception, was unknown as to its success, was undergoing very considerable and constant changes because of the early engineering features. It was in a period of rapid discovery in changes, and for the purpose of securing money to develop this industry, it will be necessary to demand a higher rate of return. I think I did say that at that time, generally speaking, the return on investment was higher than it is today.

Q. Did you make any studies to determine that or is that just

*Theodore E. Seelye—For Respondent—Cross*

a general impression? A. I think it is a matter of common knowledge.

Q. What type of investment do you have in mind, which yielded a higher rate of return? A. I think business in general, all business yielded a higher return. Today 6 percent rate of return, or 4 or 5 percent return on money or investment in certain parts of the country, in first class securities, is considered adequate. In the western part of the country money today is loaned at 8 percent in many states.

Q. As I understand it, you have made no studies which shows that the rate of return was higher in those days than it is today? A. No, sir.

Q. You stated that you used 7½ percent as your figure for reasonable return on property as of today, and even though the Commission had held that 6 percent was a reasonable return in various cases. Why did you use 7½ percent, as contrasted with 6 percent, allowed by the Commission? A. That was arrived at in this manner: It was based on Commission's allowance of 6 percent, plus the fact that it is considered probable that in the event that the electric company is divorced from the railways company, that the railways company will have difficulty in continuing in existence. The Railways Company now bears certain operating expenses, or uses certain of that expense in the combined operating of the property, which would have to be borne by the Electric Company in the event that the Railways Company discontinued its service. Furthermore, there is property belonging to the Railways Company which is used by the Electric Company, which they would have to buy or rent or duplicate. The joint operation of this group of properties, aside from the fairly measurable savings which result from their joint operation possesses intangible factors which are not quite so definitely determined, but which brought about economies of operation for all of the companies in the group.

Q. Would not those considerations go more to the operating expenses than to the rate of return? A. Yes, but they can only be reflected in the rate of return since we assume that the company is going to continue operating as it is at present. It is

*Theodore E. Seelye—For Respondent—Cross*

would the operating expense of the Electric Company be increased?

Mr. Miles: We have already had an exhibit here—

By Mr. Miller:

Q. Is that equivalent to  $1\frac{1}{2}$  percent on what you consider the fair value of the property? A. The measurable amount will be something in excess of 1 percent of the fair value of the property.

Q. How do you estimate that? A. The exhibits which have been submitted indicate the joint use of the operating personnel, which contributes a considerable portion of that total. There is in addition to joint use of facilities, or the use of facilities owned by the Railways Company, in the electric service, and there is loss of revenue to the Electric Company by reason of the discontinuance of the rail transportation.

By the Commissioner:

Q. Is it your contention that in addition to the picture containing an Electric Company and a Transportation Company there should be added a Gas Company, that you should add into the picture of return the deficiency of a Gas Company? A. No, sir, not any, more than you could in this York situation, you cannot do it with the York Railways, the Electric Company, and you cannot do it with the Gas Company.

Q. You are not figuring on the obligations of a dying Transportation Company whatever in this picture? A. No, no.

By Mr. Miller:

Q. Can you tell me whether any of the property which was paid for by donated capital has been excluded from the reproduction cost estimate, Exhibit 2, or the original cost estimate, Exhibit No. 9? A. No; it has not been excluded.

Q. Then the estimates of reproduction and original cost include all of the property owned by the respondent, whether paid for by respondent's capital or the consumers' capital? A. Yes, sir, used and useful.

*Theodore E. Seelye—For Respondent—Redirect*

*Redirect Examination.*

By Mr. Miles:

Q. Mr. Seelye, you were asked whether you made any study showing the rate of return enjoyed by electric utility companies in the pioneer years, so to speak. There was, of course, no regulation in those days? A. No, sir.

Q. So that a company was permitted to earn whatever it could make, without the interference of any regulator body? A. Yes, sir, the only interference it had was the occasional interference of competition, which sometimes bankrupted both companies, which was a condition that regulation was intended to remove.

Q. So that an investor who put his money in an utility in 1887, which is one of the years mentioned in your lag-exhibit, had to take its chance on competition, had to take a chance with the fact that business was not subjected to any regulation or protection of any state or governmental body? A. Yes, sir.

Q. Wouldn't that naturally lead to a higher cost of money for investment in a utility in those days, as compared with the present time? A. Yes, sir, it was more hazardous.

Q. Out of your experience which you have testified to as to those early days, and I am thinking of your operating experience, do you know, or has your attention ever been directed by counsel of the Commission or anyone else, to an incident where a utility at that time was earning 6 percent on its capital? A. No, sir.

Q. As a matter of fact, this Commission allowed 7 percent up until a very few years ago? A. Yes, sir.

Q. Mr. Seelye, I do not understand that you concede 6 percent to be the proper rate of return to be allowed by this Commission or any other Commission's rule or formula or rule of thumb?

A. No, sir, I think that the rate of return is a matter which is based upon conditions of any particular situation.

Q. No rule can be adopted which applies to all companies engaged in the same business in the same state? A. That is right.



*Theodore E. Seelye—For Respondent—Recross**Recross Examination.*

By Mr. Miller:

Q. What do you consider a reasonable rate of return to be, applied to this company, leaving out of account for the moment the  $1\frac{1}{2}$  percent extra which you add because of the possibility of severance? A. I think in the instance of this company the rate of return of  $7\frac{1}{2}$  percent, which takes into consideration the factors which have been enumerated, is a reasonable rate of return.

By Mr. Miles:

Q. You have not given any consideration to what the rate of return ought to be if the facts were different? A. No, sir.

By Mr. Miller:

Q. As I understand your testimony, you add  $1\frac{1}{2}$  percent to the 6 percent return, and the reason you did that was to take care of the increased operating expense and various other items which would be incidental to the severance of the property from these other companies? A. That is correct. That is a measure of arriving at  $7\frac{1}{2}$  percent in this instance. A. 6 percent return on this particular property under certain conditions, which do not exist, would be a reasonable return. 5 percent might be, or 8 percent might be, if we knew those conditions.

By the Commissioner:

Q. Speaking about the early unregulated days of utilities, they got all that the traffic would bear? A. I presume so, sir.

Q. Do you or do you not know that the takings ran as high as 50 percent in some companies? A. I think there might have been a rather unusual instance where that would be so.

Q. Mr. Insull came into York, didn't he, and he ballooned his enterprise into approximately two billion dollars, didn't he?

Mr. Miles: I object to that remark, because we are dealing with the Edison Light and Power Company, we

*Theodore E. Seelye—For Respondent—Recross*

are not dealing with Mr. Insull's utilities, and it has no relevancy here. We are talking about a rate of return.

The Commissioner: We are talking about the early days of the industry.

Mr. Miles: As relates only to the city of York.

The Commissioner: As relates only to the city of York, and it is to that that my question was addressed.

Mr. Miles: Mr. Insull never put two billion dollars into York.

The Commissioner: He might have taken a considerable portion of it out of York:

By the Commissioner:

Q. In other words, Mr. Seelye, when you talk about money earning 8 or 10 percent in those early days, money invested in, as you term it, a hazardous industry, you do not take into consideration, do you, the counter balance of actual return that came from the industry? A. Yes, that is based on the actual return. The tabulation which we have prepared is based on the actual net, to show the actual revenue of the company in those days. Mr. Insull was not in York in those days.

Q. Does it take into consideration the fact that there were write ups and mergers, at unwarranted prices in those early days, with consequent earnings to those original investors' money, of many times 8 percent, as you say? A. Yes, sir, there wasn't any evidence at all to indicate that there were write ups, and they are not taken into consideration in this tabulation.

By Mr. Miles:

Q. As I understand you, in your estimates of the rate of return to apply to your lag exhibit, you have not dealt with the pyramiding of various companies by Mr. Insull, what he may have done or what anyone else may have done, but you have attempted to apply a reasonable rate of return as actually earned by the companies in those days? A. Yes, sir, as nearly as can be determined by the records of the companies.

*David Katz—For Respondent—Cross*

By Mr. Miller:

Q. Your rate of return was not taken off their records, was it? A. Not the rate of return.

By Mr. Miles:

Q. When you talk about the early days, you are talking about some years ago, in the nineties, not what happened in 1927? A. Yes, sir.

By the Commissioner:

Q. You are talking of depreciation or depression years as well as boom years?

Mr. Miles: We are doing exactly what your Superior Court said me must do. We have taken the predecessor companies and from the available records of those companies found out what the return was.

By Mr. Miller:

Q. Mr. Seelye, I request that you furnish me the various items in Accounts 212 and 213, showing the percentages applied to those items to determine the accrued depreciation? A. Yes, I can furnish you with that.

---

DAVID KATZ, recalled.

*Cross Examination.*

By Mr. Miller:

Q. Mr. Katz, will you refer to Exhibit 11, please? Do the figures in column 10 of that exhibit include construction work in progress? A. Yes, sir.

Q. What was the amount of construction work in progress on December 31, 1936? A. \$16,666.83.

Q. What did the net additions to the company's capital amount to between June 30, 1936 and December 31, 1936? A.

*David Katz—For Respondent—Cross*

I do not believe that I have it broken down in semi-annual periods. I will be glad to furnish it to you.

Q. All right, will you do that? A. Is that the gross and the retirements, or just the net additions?

Q. Just the net additions, in Accounts 100 and 101? A. I will do that.

Q. Mr. Katz, referring to Exhibit No. 14 of the respondent, line 23 of sheet 1, shows local taxes in the amount of \$35,660. Will you give me the separate amounts of each kind of taxes included in that item? A. The \$35,660 is made up of 3 percent on the gross receipts tax within the corporate limits of the city of York, amounting to \$34,400—

Q. What was the base to which you applied the 3 percent? A. Do you want the base in dollars?

Q. Yes. A. It will be the division of that by 3 percent if that is what you mean.

Q. Is that correct, Mr. Katz? A. That was an accrual.

Q. Then you would not get the exact figure of the local property by changing this three percent to 100 percent? A. No, the actual figure was \$34,317.25. That was determined after the adjustments at the end of the year.

Q. So that the actual payment made was \$34,317.25? A. Yes, sir.

By the Commissioner:

Q. Let us get the larger figure for the record. What was the base? A. \$1,146,000.

Q. I want the base for your figure? Let us have the base itself for your figure?

Mr. Miller: The base, Mr. Commissioner, will be determined on whether you take the \$34,400 accrual or the \$34,317.25 actually paid.

By the Commissioner:

Q. I want the base for the amount actually paid? A. \$1,143,900.

*David Katz—For Respondent—Cross*

Q. This tax was paid upon what? A. The gross receipts within the city limits of York.

Q. Gross receipts over what period? A. The year 1936.

By Mr. Miller:

Q. That accounts for the major part of the \$35,660 item. What else is included in that item? A. There is an assessment against the company for poles ranging from 10 cents to 50 cents a pole. That in the aggregate is \$660.00.

Q. That is pole assessment? A. Yes, sir.

Q. Who made the pole assessment? A. I don't know.

By Mr. Miles:

Q. He means, is it a city tax or a county tax? A. It is a city tax.

Mr. Keesey: I think it is a city and borough's tax on poles.

By Mr. Miller:

Q. The figure of \$660.00, as I understand it, would include the city of York and the taxes of the various boroughs in which the company operates? A. Yes, sir, there is another item, school taxes, which accounts for \$400 of the total.

By the Commissioner:

Q. Is that also within the city of York? A. That is local, city, county, borough and so forth.

Q. That is for the entire county? A. All of the school taxes, local taxes, but I cannot tell you to what extent they are county or boroughs at this time.

Q. Is that gross receipts tax? A. No, that is property tax, a tax of 18 mills.

Q. Upon all your property in the county of York? A. I don't know just how that is determined.

Mr. Keesey: I think it must be a real estate tax on property not used in the production of electricity. They

*David Katz—For Respondent—Cross*

own one house on Water Street in the city of York and it sounds as if it might be a tax on that house.

Mr. Miller: If we could get it on the record what that is, Mr. Keesey, we might as well clear it up.

By Mr. Miller:

Q. On line 24 of the same exhibit, Mr. Katz, the state taxes are shown at \$133,046. Will you give me the taxes and the amounts which make up that item? A. \$33,000 of that total is a 5 mill estate capital stock tax; \$33,289—

Q. Before you leave the state capital stock tax, what was the taxable value of that stock? Do you have that there? A. \$6,600,000.

Q. Was that actual accrual based on actual notification from the Department of Revenue? A. The \$33,000 was based on an assessment, but I understand that during the year, the actual assessment at the end of the year, or the first of this year, the actual assessment is going through at \$6,000,000. The real assessment for that year amounted to \$30,000 instead of \$33,000.

By Mr. Miles:

Q. In other words, there is presently a valuation of \$6,000,000, placed on it by the Auditor General's office? A. Yes, sir.

Q. That is the value for tax purposes? A. Yes, sir.

By Mr. Miller:

Q. Will you tell me the other items that go to make up that one hundred and thirty-three thousand odd figure? A. There is an item of state gross receipts tax, which for the first six months was on the basis of 14 mills, applied to the gross receipts, and for the last six months 20 mills. That in the aggregate totaled \$33,289 as an estimated tax.

Q. What was the 20 mill tax? What was the amount of that? A. I can give it to you in round numbers. I haven't got it figured out to the exact dollar.

Q. All right. A. The 20 mill tax is about \$21,300.



*David Katz—For Respondent—Cross*

By Mr. Miller:

Q. On sheet 8, line 2, appears an item of \$5,600 for maintenance of general office structures. Can you give me the nature of the maintenances represented by that item? In other words, are they extraordinary maintenance expenditures, or are they ordinary expenditures that would be recurring over a period of years? A. I haven't made an analysis of that to see, but it was an expenditure incurred during 1936. Of course, maintenance expenditures occurring that way, they do not equalize themselves every year, unless you maintain an equalization account.

Q. If they are extraordinary expenses, should they not be amortized over a period of years? A. If they are extraordinary expenses of a character that might throw the real earning situation out of line, yes.

Q. We would like sufficiently detailed information on Account 464, maintenance of overhead transformers, and on this maintenance of general office structures to enable the Commission to determine whether the expenditures were extraordinary, whether they were merely ordinary recurring maintenance charges? A. All right.

Q. On line 3 appears the item of \$643.00. Will you give me similar information on that, Mr. Katz? A. Yes, sir.

Q. That is Account 522? A. Yes.

Q. And on line 19, the item of \$3,378 appears in Account 551. Will you give me a break down of that? A. Yes.

Q. On sheet 8, line 10, Exhibit 14, appears the item of Public Service Commission expense in the amount of \$38,710. Do you know what that item covers? A. Yes, sir.

Q. Will you give me the break down on that? A. Do you want it for the record?

Q. Yes. That is made up of engineering services—

Q. In connection with what? A. In connection with the inventory and appraisal in rate cases, preparing all the data, appraisals and inventories in rate cases of the Edison Light and Power Company.

Q. How much is that engineering expense? A. \$27,873.

*David Katz—For Respondent—Cross*

Q. Is that in connection with the work in connection with the merger application? A. No, sir.

Q. Or, the 1934 appraisal? A. No, it has only to do with the present rate case and the expenses incurred up to December 31, 1936.

Q. That, I assume, includes the cost of the entire appraisal of all of the properties? A. That includes the expense incurred up to December 31, 1936, but does not include all of the expenses for inventorying and appraising the entire property of the York Railways.

Q. It does include all of the portion of that cost which was paid up to December 31st? A. Yes.

Q. So that all of the amounts paid on account of the inventory appraisal of all of the related properties paid up to December 31 would appear in this item? A. Yes, sir. We have an engineering expense of \$27,873; legal expense \$9,277. We have an item of printing stationery of \$141.00. I am dropping the pennies. We have an item of transcribing testimony, \$358.00; miscellaneous items of \$1,030.

Q. Do you include accountants' fees in the miscellaneous? A. There is no accounting fees there, no sir.

Mr. Miles: That is included under engineering.

By Mr. Miller:

Q. On sheet 8, line 15, appears the item of \$32,384, other general expenses. Can you give me the break down for that?

A. I will be glad to furnish them to you.

Q. I show you the annual report of the company for 1936, page 316. Does that show the break down on that figure? A. Yes, it does.

Mr. Miller: I assume there will be no objection to incorporating this page 316 as a part of the record by reference.

Mr. Miles: No.

*David Katz—For Respondent—Cross*

Q. What is the base on which you figured that? A. I figured that on a base of \$1,061,965.

Q. I suppose the balance, the 14 mill tax, would be figured on the same basis? A. No, that was figured on a base of about \$985,000.

Q. Is there any other tax item in the \$135,000? A. There is a state corporate net income tax of 10 percent, after Federal amounting to \$63,773.

Q. Will you tell me the base on which that was calculated? A. There is no particular base. There are several computations necessary to arrive at that figure.

Q. Did you make that computation in 1936? A. No, I did not.

Q. Do you have such a computation—

By Mr. Miles:

Q. Isn't your figure taken from the books of the company? A. Yes.

Mr. Miles: Isn't that what you mean. Isn't that really what you want to know?

Mr. Miller: I want to know the calculation.

Mr. Miles: You mean how the company made up its income tax return?

Mr. Miller: How the tax was arrived at.

Mr. Miles: You want to know what their net income tax was in 1936 for the purpose of tax return?

Mr. Miller: Yes.

By Mr. Miller:

Q. What was the amount of the tax you just gave? A. \$63,773.

Q. Do you have the company's Federal income tax of 1936? A. I haven't the figures now.

Mr. Miles: Just to save time, it is bound to be ten times that, the Federal income tax, because that is the basis of the state income tax law.

Mr. Miller: We would like to have the complete calculation of that—

*David Katz—For Respondent—Cross*

By the Commissioner:

Q. Will that be furnished? A. Yes, sir.

By Mr. Miller:

Q. Mr. Katz, are you aware that the rate of state income tax in 1937 has been reduced from 10 percent to 7 percent? A. No, sir.

By Mr. Miles:

Q. You haven't testified to any 1937 figures? A. No, sir.

By Mr. Miller:

Q. The next line, Federal energy tax is shown to be \$38,893. How was that tax determined? A. The amount of the Federal energy tax—the electric energy tax, is based on the kilowatt hours sold by the company, with the exclusion of certain inter-company sales. The total of \$38,893 is equivalent to a rate of .0192 for \$1.00 of revenue. It is based on the total revenue of \$2,020,043.

Q. This figure of \$38,893 is based upon the total revenue? A. It is not based on that, but that is the equivalent. I haven't got the exact base on which the 3 percent has been applied. I will have to furnish you with that.

Q. Will you furnish that to us? A. Yes, sir.

Q. When you furnish that, Mr. Katz, will you designate the different types of revenue, or the sources of revenue, on which that tax was paid or computed? A. Yes, sir.

Q. The Federal capital stock tax is shown on line 26 as \$8,326. What was the capital stock value to which the tax rate was applied—what was the rate? A. The rate was \$1.00 a thousand for declared value, or for one thousand of declared value.

Q. Is that the actual amount or is that an accrual? A. That is an accrual. The actual amount paid was \$10,000.

Q. Is that for the year 1936? A. Yes, sir.

Q. Is that the calendar year, 1936? A. Yes, sir.

Q. Line 28, the Federal income tax is shown in the amount

*David Katz—For Respondent—Cross*

of \$116,425. Can you give me the amount of taxable net income? Perhaps it would save time if you would give me the same type of calculation on this that you are going to furnish in connection with the state tax? A. I will, yes, sir.

Q. We would also like to have the actual taxes paid—— A. Where state taxes have been paid, some taxes falling due in the middle of the year, perhaps won't be paid until next June or July. All taxes are not payable as of December 31st.

Mr. Miles: We had intended to file something comparable to that as an exhibit. We will include the additional information that you ask for in that exhibit.

By Mr. Miller:

Q. Does the Federal income tax figure include provisions for taxes on undistributed net income? A. Yes, sir.

Q. In what amount? A. \$16,366.

Q. On line 27 appears an item of \$48.00. What type of tax is that? A. That is a tax on telegrams and telephone calls under the Revenue Act of 1932.

Q. On sheet 3 of Exhibit 14, line 9, there is an item covering sale of ashes, amounting to \$1,010. Where is the income from the sale of ashes for 1936 included? A. I am not quite sure, but I think this is the net figure.

Q. Showing a loss of \$1,000? A. Yes, sir, it is either that or the sales are included gross in another one of the expenses. Any credit derived from the sale of ashes is a credit to that expense—any cost in connection with delivering those ashes or handling them.

Q. Will you investigate that item? A. Yes, sir.

Q. It seems peculiar that a sale should result in a deficit of \$1010? A. I will, yes, sir.

By the Commissioner:

Q. To whom does the company sell those ashes? A. To anybody that wants them, I suppose.

*David Katz—For Respondent—Cross*

By Mr. Miller:

Q. Exhibit No. 14, sheet 5, line 25, Account 464, shows maintenance of overhead transformers in the amount of \$11,722 for 1936. On Commission's Exhibit No. 10, the comparable cost in 1935 was \$6,356.34, and according to our records in none of the five years from 1931 to 1935, has the cost been in excess of \$6,527. Will you tell me why the 1936 cost was so much greater than the comparable cost in the previous years? A. I don't believe I can give you that information offhand. I will make a search and see if we have an analysis of it.

Q. Will you investigate that, Mr. Katz? A. Yes, sir.

Q. And will you furnish me the information? A. Yes, sir.

By Mr. Miles:

Q. That figure is taken from the books of the company? A. Yes, sir.

Mr. Miller: But it is much greater in one year than it was in the prior years.

Mr. Miles: He is simply testifying as to the state of the company's records, as he views them.

By Mr. Miller:

Q. Sheet 7, line 25, shows an amount of \$11,240 for other general office expenses. To what accounts were the items covered by that amount that you charged, prior to 1936? A. Do you want me to make the same kind of an investigation?

Q. Yes, if you cannot tell me now? A. It will take some little time to work it out.

Q. It will be satisfactory to have you furnish that? A. I will furnish it.

Mr. Miles: What year was it that that maintenance of overhead transformers was higher than the other years?

Mr. Miller: 1936. It jumped over \$5,000.



*David Katz—For Respondent—Cross*

By Mr. Miller:

Q. Can you tell me the service rendered by Stone and Webster for the amount of \$913.80? A. I couldn't tell you that offhand. What was that amount?

Q. \$913.80. That appears in the break down of the \$32.3 figure? A. I will furnish that together with the other information. The information I have here is special investigation \$91. Of course, that would not be sufficient.

Q. No, we would like some further break down on that. On sheet 4, line 2, appears the figure of \$102,122 for steam transferred credit. Does that cover the sale of steam to the York Steam Heating Company? A. Yes, sir.

Q. How many pounds and at what price? A. What account number is that?

Q. Sheet 4, line 2. A. It is 240,287,638 pounds, at 42½ cents a thousand.

Q. On line 5, the same sheet, appears an item of \$43,7 for production expenses credit. What does that cover? A. It is an expense transferred, for the main part, that was for electricity used by other departments, for the transfer of electricity produced to other departments of the company. It is merely a transfer to other expenses of the company, electricity energy used by the other departments.

Q. By other departments would you include the York Railways Company? A. No, merely other departments of this particular company, the Edison Light and Power Company.

Q. Can you investigate that and let me know definitely? A. I will make one search here and if I do not have it here I will furnish it to you. I will have to supply that.

Q. If you should find that the York Railways Company does get some of that power, will you get the amount, the kilowatt hours and the dollars attributable to York Railways Company? A. Yes, sir.

Q. Sheet 8, line 9, shows \$55,050 for uncollectible consumer accounts. What is the basis for that item? A. I will furnish that to you also, Mr. Miller.

*David Katz—For Respondent—Cross*

Q. Can you give me the aggregate amount of uncollectible accounts actually charged off in the last three years, and the amounts recovered in each of the last three years? A. By the actual amounts recovered, do you mean of those items that were actually written off, pertaining to the same items?

Q. Yes, we want the amounts shown on the company's books as recovered; and the amounts charged off, the total charged off each year, and the total amount recovered? A. I will furnish that for you.

Q. Turning to exhibit No. 16, does that cover any rate case expenses charged to operating expenses in 1936, and included in Respondent's Exhibit No. 14? A. Yes, sir.

Mr. Miles: The answer is obviously yes, because Exhibit No. 11 is an estimate of the entire rate case expense, regardless of the year in which it was incurred.

By Mr. Miller:

Q. I assume it does not include any expense incurred in connection with cases other than this, at the Complaint Docket 11108? A. That is true.

Q. Exhibit 17, sheet 1, column "C" is headed, "adjusted fixed capital". Do the figures in that column represent the depreciated fixed capital or undepreciated? A. Undepreciated.

Q. I assume that same answer would apply to column "C" of sheets 2, 3, 4 and 5 also? A. Yes, sir.

Q. Upon what basis did you calculate or make the depreciation shown in column "H" of sheets 1 to 5 inclusive? A. It is roughly about 3 percent of the fixed capital.

Q. Sheet 4 of Exhibit No. 14, lines 7 to 23, relates to transmission system expense. Do any of the charges shown there apply to conversion equipment, do you know? A. You mean the sub-station expense?

Q. I mean the whole group of expense from Account No. 415 to Account No. 434, appearing on sheet 4? A. They include the conversion expenses insofar as they relate to the sub-stations, the operation of the sub-stations and maintenance, in accordance with the classification of accounts.

*David Katz—For Respondent—Cross*

Q. Do you know what part of the transmission expenses in the amount of \$8,874 covers the cost of energy from alternating current and direct current for the York Railways Company? A. No, sir.

Q. Can you find that out? A. It would have to be an estimate.

Q. Can you make such an estimate? A. I will try to get the company to make such an estimate.

Mr. Miller: That will be satisfactory. I think that is all, Mr. Commissioner. I may have some questions after Mr. Katz has furnished the information he has promised to furnish.

Mr. Miles: I have no questions.

Mr. Miller: We have no further cross examination.  
Mr. Commissioner:

The Commissioner: Mr. Keesey, you are to ascertain something in relation to an 18 mill school tax.

Mr. Keesey: That, Mr. Commissioner, should be real estate taxes on that part of the office building which is used for the sale of merchandise by the respondent.

Mr. Miles: We have some additional testimony we want to offer, relating to the value of certain properties owned by the York Railways Company, but used exclusively by the Edison Light and Power Company, in reference to which we made some estimates as to rents which was objected to on the ground that Mr. Reed was not qualified to testify as to the rental value in York. We have had that up with people whose qualifications I am sure you will concede. We also have what is more of a task, some information with respect to the increase in unit prices since November 30, 1936, which is quite important in this case. That cannot be ready until the week after next.

The Commissioner: Can you get ready by next Wednesday morning?

Mr. Miles: I think if you will make it two weeks from Wednesday we can finish it that week, whereas if we come

*Colloquy*

back next week it means that we will have to come back the following week.

Adjourned until Friday, June 4, 1937, at ten o'clock a. m.

---

Stenographic report of hearing held in the Public Utility Commission Building at Harrisburg, Pennsylvania, Wednesday, June 9, 1937.

Commissioner BEAMISH, Presiding.

---

APPEARANCES:

S. G. MILLER, Esq., Harrisburg, Pa.

For the Commission.

CLARENCE MILES, Esq., Baltimore, Md.,

VINCENT G. KEESEY, Esq., York, Pa. and

J. HAROLD LA BRUM, Esq., Philadelphia, Pa.

For the Edison Electric Company.

Mr. Miles: If Your Honor please, at one or more of the previous hearings counsel for the Commission requested that he be furnished with certain break downs, detailed analyses of various accounts included within the purview of the exhibit offered by the company with respect to operating revenues and expenses, and at this time in order that the record may show it I now hand Mr. Miller a copy of all of the various analyses that he requested.

I might say so far as we can determine from an analyses of the record we have furnished counsel for the Commission with all the data which has been requested of us, and if we have missed inadvertently anything we would like to know it.

Mr. Miller: Of course, I will have to check this over with the Engineering Bureau, there is some accounting

# MICROCARD

TRADE MARK 

# 22



MICROCARD<sup>®</sup>  
EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON MICROCARD AND MICROFICHES  
901 TWENTY-SIXTH STREET, N.W., WASHINGTON, D.C. 20037, PHONE (202) 333-6393

3172

38-66



*Harry A. Reed—For Respondent—Direct*

data which will have to be checked with the Bureau of Accounts and we will be glad to notify Mr. Miles if he has inadvertently omitted anything.

As I understand it, Mr. Miles, you will have no objection to the inclusion of this in the record.

Mr. Miles: None whatever. We would prefer that it be put in the record.

The Commissioner: You want to put it into the record as the Commission's exhibit if it should be proven to be correct?

Mr. Miller: I would like to have it go into the record after we have checked it and made sure that it is what we have requested, but I would like to have it go into the record as supplied by the company in answer to the Commission's request.

Mr. Miles: We have no objection to that, if Mr. Miller wants it.

H. A. REED, recalled.

*Direct Examination.*

By Mr. Miles:

Q. Mr. Reed, I believe you previously testified in behalf of the respondent with respect to its Exhibit No. 2, dealing with the estimate prepared under the direction of Day and Zimmerman of the reproduction cost of the property of the respondent have you not? A. Yes, sir.

Q. And I believe in connection with that testimony you stated that most of the details with respect to the unit costs of materials and labor were prepared under your supervision, did you not? A. I did.

Q. Now Mr. Reed, did you hear the testimony of Mr. Seeley in behalf of the respondent in connection with fair value when he made reference to the fact that the trend of prices was upward? A. Yes, sir.

Q. Have you caused an investigation to be made for the purpose of determining the increase in the reproduction cost of



*Harry A. Reed—For Respondent—Direct*

the property of the respondent between November 30, 1936 and about May 31, 1937? A. Yes, sir.

Q. Do I understand that the investigation that you have made relates to the reproduction cost of the same property which was appraised in Respondent's Exhibit No. 2? A. It covers the same property as included in Exhibit No. 2, but as modified by the exclusions submitted with Exhibit 8.

Q. Exhibit No. 8, deals with property used and useful in the public service? A. Used and useful or owned by the Light and Power Company.

Q. I hand you a sheet headed "Summary of Reproduction Cost Estimates of Used and Useful Property as of November 30, 1936 and May 31, 1937," and inquire whether this is the information to which you have just referred as having been prepared under your supervision? A. It is.

Mr. Miles: The respondent asks that this be marked and offered in evidence and made a part of the record as Respondent's Exhibit No. 18.

The Commissioner: Is there any objection?

Mr. Miller: Mr. Commissioner, I object to the admission of the exhibit in evidence unless Mr. Miles supports it with testimony. I see no reason to agree to the submission of this exhibit in evidence without some suggestion at least as to how the figures of increase were arrived at.

Mr. Miles: Quite obviously, Mr. Commissioner, I did not expect that this would be placed in the record without any supporting testimony. I know of no way, however, of examining the witness with respect to the figures until he has had them before him.

The Commissioner: It will be marked for identification and not admitted at this time.

Summary of Reproduction Cost Estimates of Used and Useful Property as of November 30, 1936 and May 31, 1937, produced and marked Respondent's Exhibit No. 18.  
E. E. M., 6/9/37.

*Harry A. Reed—For Respondent—Direct*

consideration are not available in York we have used the prices that we would have to pay to bring that labor from either Harrisburg or towns like Coatesville and Downingtown where it might be available.

Q. May I ask what is the reason, if you know, between the labor rates that you have used in this estimate and the present rate for labor being paid in connection with similar construction financed with funds of the United States Government? A. In some cases we have used in this reproduction cost estimate as of May 31, 1937, labor rates which are lower than are being paid for labor on the projects by the United States Government; in certain trades they are the same. As far as I know we have not used any rates which are higher than are being paid at the present time by the Government in this territory.

Q. Now, will you refer to Account No. 257 with respect to overhead conductors where you show an increase in the cost of reproduction between November 30, 1936 and May of 1937 of \$59,793. I will ask you to state or summarize the reasons that cause that increase? A. The increase in this account has been caused primarily by an increase of 14.3 percent in labor and material—I would like to correct that, materials have increased 14.3 percent and labor and materials combined have increased 13.5 percent, and a slight increase in the cost of equipment necessary for the installation of this material resulted in a net increase for the account of 13.7 percent.

Q. Now, in order to save time and not to go over each one of these items, may I ask whether in each instance of property account the basis for your increase in estimated cost of reproduction is the prevailing cost of material and the prevailing cost of labor? A. That is correct.

Q. And with respect to your unit costs of material you are relying upon current prices made available to you by manufacturers and dealers in the particular type of property embraced within these accounts? A. That is correct. There are no estimates which are brought in here not backed by information received from manufacturers, dealers and contractors.

Q. And with respect to your labor cost you have presumed

*Harry A. Reed—For Respondent—Direct*

the prevailing cost of labor in York where your labor is available and if not then the prevailing cost of the nearest available market? A. Yes, sir.

Q. Now, may I inquire whether Day and Zimmerman among other activities constructed distributing lines and utilities properties generally? A. That is correct, we do.

Q. Will you state for the record whether the price that you have used in these rates with respect to which you have just been testifying are in accordance with the experience of Day and Zimmerman in constructing projects during these months in question? A. In general they are. In the distribution accounts the prices that we have used for wire, pole hardware materials, fixtures and so forth, are largely based on the price which we have used in competitive bidding for United States Government work in which we have been successful, competition was extremely sharp in every one of those cases. I think that is a reasonable statement to make of prices that we have used in this estimate, that they are the lowest obtainable on competitive bidding basis that anybody could submit.

Q. For the record will you state the estimated cost of reproduction of used and useful property of the respondent as of November 30, 1936 as found by Day and Zimmerman? A. \$5,572,134.

Q. Will you state the estimate of the reproduction cost of the same property as found by Day and Zimmerman as of May 31, 1937? A. \$6,019,832.

Q. And the increase in the estimated reproduction cost as to May 31, 1937—from November 30, 1936 is what? A. \$447,698.

Q. Referring finally to the general overheads listed under undistributed construction expenditures, will you state whether you have applied the same percentages in arriving at your estimate of reproduction cost as of May 31, 1937 as were contained in Respondent's Exhibit No. 2 dealing with the estimated reproduction cost as of November 30, 1936? A. The percentages for each account are identical with those used for the estimate of November 30, 1936.

*Harry A. Reed—For Respondent—Direct*

Mr. Miles: We offer in evidence at this time and ask that it be received and marked as Respondent's Exhibit No. 18.

By the Commissioner:

Q. Mr. Reed, is this table, which I take it is a condensation and compilation of your work in comparing present prices for materials and labor with the previous case, is it backed up by work sheets? A. Yes, sir.

Q. Are those work sheets here? A. They are not here: they will be made available if you desire.

Q. Will they be made available to the Commission within twenty-four hours? A. Within twenty-four hours? It would be rather difficult, sir—

Q. Where are they? A. They are in Philadelphia.

Q. Can you have them here for examination by the Commission Engineers and Accountants by noon tomorrow? A. That would depend, sir, on what time I would be excused today, as I will have to get back to Philadelphia and get that together and ship them to Harrisburg.

Q. Would it help you any if the Commission were to send with you one of its representatives so that he might bring them back to the Commission? A. Mr. Commissioner, I am required to appear before the Public Service Commission in the state of New York tomorrow in another rate case proceeding, and I don't know whether I would have time this afternoon if I were to get back to Philadelphia to get them together. The men that have worked on this are assigned to other jobs, and I would say it would be a matter of a day to get those papers together and turn them over to the Commission.

Mr. Miles: May I interject this: We will be glad to gather these work sheets together as fast as humanly possible to do it and deliver them to the Commission.

Mr. Miller: I was about to ask Mr. Reed in order to shorten the cross examination instead of going into the comparison between the unit prices he used before in

*Harry A. Reed—For Respondent—Direct*

arriving at his figures on November 30, 1936 and his figures as of May 31, 1937, to request that he furnish the Commission the quotations on units of property, and the unit prices used in each of the appraisals, and also to furnish us with an indication of the source from which he obtained those unit prices, whether written communication or by telephone, and also the source of them.

The Witness: That practically comprises our working papers.

All of that is included in the various volumes of working papers at Philadelphia.

By the Commissioner:

Q. The witness has said that the working sheets are in his office, and that includes all of the material asked for by Mr. Miller now? A. Yes, sir.

Q. Can you by telephone instruct those who helped you to have that material ready and send it here so that the Commission representatives may have it all within a day, bring all of that material back here for the purpose of comparison? A. I can't do that, Mr. Commissioner, because the men who helped me on this work are now working in two or three other states.

Q. Are you now saying that you cannot get this material ready for the Commission? A. No, sir.

Q. What is the Commission to understand?

Mr. Miles: What we are trying to make clear, may I suggest, Your Honor, is that we will be very glad to assemble these papers as quickly as humanly possible and produce it here. We have done that with respect to all the data in this case; we have never delayed Mr. Miller in anything that has been asked for. He is perfectly aware of that, and we will be able to get these papers together in a few days.

The Commissioner: Mr. Miles, are you endeavoring to assure the Commission that there would be as little delay as possible?

Mr. Miles: Yes.



*Harry A. Reed—For Respondent—Direct*

By Mr. Miles:

Q: Mr. Reed, do I understand that the first of the three columns on the right hand under the heading of November 30, 1936 reflects the estimated reproduction cost of the property of the respondent for each of the account numbers shown thereon as of that date? A. Yes, sir.

Q. And the next column on the right is the estimated reproduction cost of the same property as of May 31, 1937? A. That is correct.

Q. And the third column refers to the increase in the estimated cost of the property between November 30, 1936 and May 31, 1937? A. That is correct.

Q. Now, if you will, will you address your attention first to item No. 209 dealing with boiler plant equipment and state to the Commission if you will the reasons that bring about an increase within the period in question of the estimated cost of reproduction of the property embraced within that account in the sum of \$42,360? A. Account No. 209 which covers boiler plant equipment we have an increase of 9 percent in labor necessary for the installation and erection of various units of property. There has been an increase based on quotations received from various manufacturers during the last three weeks in practically all the items of equipment included in this account. That comprises among others a 19 percent increase for boilers, 7½ percent increase on Cox stokers; 5 percent increase on Westinghouse stokers. Fire proof brick has increased 11 percent; red brick 6 percent; soot blowers 10 percent; Dietrich arches 19 percent; boiler breechings 10 percent; iron platforms 10 percent; boiler feed pumps 15 percent; feed water heaters 10 percent; steel pipe has had an increase of 5 percent.

Q. Are these various items that you are referring to as having increased within that period of time the items that are actually included within the property of the respondent in Account No. 209? A. They are the identical items that we have included in our Exhibit No. 2 under Account No. 209.

Q. What is the basis for your statement that prices have increased in accordance with the percentages that you have



*Harry A. Reed—For Respondent—Direct*

indicated? I mean by that from what source have you drawn to reach that conclusion? A. We have obtained either by letter or telephone communication quotations from manufacturers of the equipment included in this boiler house, and have compared those quotations with quotations obtained by us for the reproduction cost estimate as of November 30, 1936, that comparison giving us the percentages which I have just enumerated.

Q. Now, referring to Account No. 241 with respect to substation equipment, I notice that the exhibit indicates an increase in the estimated reproduction cost of that property in an amount of \$40,669. Suppose you refer to your work sheets, Mr. Reed, and tell us the reasons that bring about that increase? A. By comparing both manufacturers' quotations and manufacturers' discount sheets in our office for the items of equipment, included in Exhibit No. 2, under date of November 30, 1936 and the prices now prevailing as of approximately May 31, 1937 and repricing our inventory on the basis of the latter prices our computation shows that there has been an increase in materials of approximately 9 percent and labor of 7 percent, which result in a net increase of the entire account of 8.73 percent.

Q. Now, referring first to the increased price of materials, did you in connection with this account likewise obtain prices from manufacturers and other dealers of the materials that comprise the item? A. Yes, sir. May I explain that? The majority of the items in this account are items for which we have manufacturers catalogs and list prices in our office. We are continuously receiving the last discount sheets from these manufacturers, and we have used the discount sheets as they appear around May 31, in order to obtain the prices which we have used.

Q. Now, you made some reference in your previous answer with respect to this particular item to an increase in labor costs. I should like to ask you whether you are referring to labor rates prevailing in the city of York or whether you are basing that statement upon some average prevailing labor rate? A. That question of labor applies to such labor as can be obtained in the city of York and where the special trade—that might be in

*Harry A. Reed—For Respondent—Direct*

The Commissioner: These working sheets are important, and the witness has stated that perhaps he is to go to New York, and those who helped him are disbursed in several states and that it may not be possible for the Commission readily to obtain this important material.

Mr. Miles: I think we can get it here in two or three days. I think that is the best we can do, sir.

The Commissioner: I think it is most unfortunate that the supporting data is not immediately available.

Mr. Miles: It may be important, Mr. Commissioner, but if you will permit me to say so, it is a little unusual for us to try the case for the other side.

The Commissioner: I understand that, but this being your table representing condensations, the supporting material should be immediately available.

Mr. Miles: It has not been in any other case up to this time.

The Commissioner: But you are now helping to introduce this evidence.

Mr. Miles: Certainly, and this is the first we have introduced all of our accounting exhibits.

The Commissioner: I understand.

Mr. Miles: Without producing all the books and records.

The Commissioner: This is the crux of this particular part of your case and the supporting evidence should be immediately available.

Mr. Miles: We offer it in evidence, if Your Honor please, and ask that it be ruled on.

Mr. Miller: We have no objection to its being presented in evidence, Mr. Commissioner.

The Commissioner: It will be admitted as evidence, and admitted into the record with the understanding that the Commission will have all of the supporting data including the working sheets. What is your time limit?

Mr. Miles: I say we can get it to you within two or three days.

*Harry A. Reed—For Respondent—Cross*

The Commissioner: Say three days.

Mr. Miles: All I can say, Your Honor, is that it has been the attitude of this respondent in this whole case to produce data asked for as quickly as possible, and we will get it here as quickly as humanly possible. We cannot do any better than that.

The Commissioner: You understand, Mr. Miles, that in the opinion of the sitting Commissioner this supporting data is all important to sustain the exhibit.

*Cross Examination.*

By Mr. Miller:

Q. Mr. Reed, you testified that there was a 9 percent increase in the labor costs in Account 209. What does that amount to on an hourly labor rate; can you give me that? In other words, do you have any break down with you of these percentages in comparable figures showing the increase? A. Not by percentages. The percentage which I quoted I obtained by taking the new figures and the old and arriving at a percentage of comparative figures.

Q. But you only have percentages with you now? A. Yes, sir, the working sheets will show the whole thing.

Q. Where did you get the labor figures for the York area? A. We have obtained those from contractors in York; from the business agents of the Unions, where the type of labor they would require is not available from York, we have obtained them from Harrisburg and in connection with construction jobs which we have charge of in Coatesville at the present time.

Q. Where are the Union representatives located? You mean representatives in Philadelphia? A. No, sir, for example, the electrical workers, we have a communication by telegraph from the business agent of the electrical workers in York, and we have used the rate he gives as the prevailing rate for electrical workers in York.

Q. Now, you testified that as to unit costs, or as to equipment costs you use discount sheets from various manufacturers in

*Albert M. Owen—For Respondent—Direct*

obtaining your May 31st, 1937 figures. Did you use the same method in obtaining the November 1936 figure? A. Yes, sir.

Q. And in setting up your estimate for May 31, 1937 did you contact the same manufacturers as you had contacted in connection with the November 30, 1936 estimate? A. Yes, sir.

Q. For all of the units of property? A. I think that is true without exception. There might be one or two minor exceptions that I don't recall at the moment, but in General that is the case.

Q. As I understand you are going to make available to the Commission not later than next Monday your working papers in support of the November 30, 1936 estimate and May 31, 1937 estimate so that the Commission may compare the costs and prices on those working sheets? A. Yes, sir.

Mr. Miller: No further cross examination at this time, Mr. Commissioner.

Mr. Miles: That is all, Mr. Reed.

ALBERT M. OWEN, a witness called in behalf of the Respondent, being duly sworn, was examined and testified as follows on

*Direct Examination.*

By Mr. Keesey:

Q. Your name is Albert M. Owen? A. That is right.

Q. Where do you live? A. York, Pennsylvania.

Q. What is your business? A. Real estate.

Q. How long have you been engaged in that business? A. 30 years.

Q. Where? Always in York? A. Yes. Yes, sir.

Q. Are you familiar with the rental price of industrial property in York? A. Yes, sir.

Q. Warehouse property; storage property? A. I rented, sold, bought, all kinds of property in York.

*Albert M. Owen—For Respondent—Cross*

Mr. Keeseý: Do you want to cross examine on his qualifications, Mr. Miller?

*Cross Examination.*

By Mr. Miller:

Q. When did you last purchase, buy or sell industrial property in York? A. Within six months.

Q. And what was that property? A. Did you say buy or sell or rent?

Q. Any of them. A. Well, I rented a warehouse in the rear of my own property which I occupy on North George Street which is partly used for storage and partly for manufacturing. I have sold at public sale—I have bought and sold at both private and public sale, and in fact I think I have handled most of the property of that kind that has been handled in the last six months.

Q. Have you rented, purchased or sold any property comparable to the carbarn of the York Railways Company? A. Yes, I have.

Q. What property was that? A. I think that the property that I just referred to, which is a warehouse property in the rear of my office building on North George Street compares rather favorably with the use which is made by the Edison Company of the York Railways Company carbarn.

Q. You don't mean to say that the warehouse in the rear of your property is similar to the carbarn, do you? A. No, but I mean that the use, or rather the purpose for which it is used is very similar to the use which is made by the Edison Company of the carbarn, in other words, storage.

Q. Have you purchased, leased or sold any property comparable to the office building of the Edison Company in York? A. Well, in my position as a director and chairman of the examining committee of York Trust Company I have handled indirectly both business and office property, mercantile property right in the center of the city. The bank with which I am connected owns property just two doors from the Edison Property, and the arrangements for the leasing of which was made through our committee, of which I am a member.

*Albert M. Owen—For Respondent—Cross*

Q. Will you give me the name of the property? A. It is formerly the City Bank Building, located just the second door. I believe, from the Edison Light Company; now occupied by the Darling Shops the first floor, brokerage office on the second floor, an architects office on the third floor. I have been familiar with all of this property for years. In fact, I was one of the organizers of the old bank which owned this property.

Q. I have one more question. Have you done any work similar to that performed by you for the purpose of this hearing, Mr. Owen? A. Not before this Commission—I will change that. The first Commission I think it was, I was a witness before it in the Bell Telephone Company case about twenty-five years ago.

Q. Was your testimony in that case based upon an examination of property and an allocation of space and value similar to that which you have made in this case? A. Yes, the Bell Telephone Company's rate case, I think about twenty-five years ago. I was a witness as to the value of that property and the rental value of the property in York which is used as an exchange.

Q. Was there an evaluation of that property, however? A. It was all used by the Telephone Company. The testimony is principally that of valuation, not of rental.

Q. What Commission did you testify before twenty-five years ago? A. I said twenty-five years ago, you will probably know from the fact that Ex-Governor Pennypacker was a member of that Commission, I think that was the Commission, he was a member as I recall it.

The Commissioner: Chairman of that Commission.

By Mr. Miller:

Q. As I understand it, until the examination of property allocation which you made for the purpose of the present case, you had never made a comparable investigation? A. You mean before other courts? You mean as a witness?

Q. No, I am speaking about the investigation you made now and particularly the allocation of space? A. I have never been a witness in any case in which a public utility was interested except the one referred to, if that is what you mean.



*Albert M. Owen—For Respondent—Cross*

Q. I don't think you quite understand my question. I assume that you in preparing for this case went to the car barn examined it and placed a value on it, is that right? A. Yes.

Q. And then you allocated that value as between the York Railways and York Edison—Edison Electric Company? A. Yes, sir.

Q. Had you done any work of that sort prior to that time, that is, allocating value? A. Yes, I have done quite a little of it. I think I have been a witness in every case that has come up in the York Courts.

Q. In that case, did you ever make such an allocation or an appraised valuation? A. Well, I think I have been a witness in the case of the Pennsylvania Railroad Company at least half a dozen times.

Q. And what property of the Pennsylvania Railroad Company did you allocate as between the different interests? A. These were property valuations—that estimate was as to valuation of property as a unit without allocation of value, property in condemnation. In other words—

Q. Can't you just answer my question, Mr. Owen? What, if any, property value have you allocated as between different users of that property prior to your investigation for the purpose of this case? A. Well, in connection with my bank duties we have to allocate rents, valuations almost every day, because we have different tenants, different occupants, different buildings and when we make appraisals, which I do for the Trust Company, we have to allocate very carefully what the rentals of different sections would be and what we can get as a total.

Q. That is mainly office buildings? A. That is all kinds of work, from farm property to office buildings.

Mr. Miller: We are willing to admit the witnesses qualifications, Mr. Commissioner.

By Mr. Keesey:

Q. Mr. Owen, are you familiar with the Maryland Avenue car barn owned by the York Railways Company? A. I am.

Q. Where is that located? A. That is located at the corner

*Albert M. Owen—For Respondent—Cross*

of Maryland Avenue and the cross street there—I just don't remember the name—I know the location very well. That is in the northwest section at the corner of Maryland Avenue and I believe they call that Kentucky Avenue in there, it is on the corner of Maryland Avenue in York, the northwest section.

Q. Part of that property is used by the Edison Light and Power Company, is it? A. Yes, sir.

Q. Are you familiar with what part of the building they use? A. Yes, I am, on my personal inspection I saw just what part was allocated for their use.

Q. What, if any, service does Edison Power Company give York Railways Company in connection with the building with its occupancy of that part of the building? A. Well, they are furnished with light; they have a very convenient place for loading and unloading, and with that exception I would say it is just average storage room.

Q. What in your opinion is the annual rental value of that part of the Maryland car barn which is used by Edison Light and Power Company? A. I should say that from \$1050 to \$1100 would be a fair rental for the space which they occupy.

Q. Are you familiar with the North George Street property of the York Railways Company? A. Yes, sir.

Q. And is part of that used by the Edison Light and Power Company? A. Yes, sir.

Q. Have you examined the premises to see what part is used there? A. I made a personal inspection and measurement of the part which is allocated for that purpose, that they are using.

Q. That building is on North George Street just north of the Pennsylvania Railroad, is it? A. Yes, sir.

Q. Are any services rendered to the Edison Company by employees of York Railways Company in connection with the use of those premises? A. They have a man in it, that is, the York Railways Company pay for a man who is in it at all times which makes it very convenient for them to enter to load and unload. That is, Edison Company is also furnished with heat and light for that building.

Q. And what in your opinion is the annual rental value of

*Albert M. Owen—For Respondent—Cross*

that space so used with the service that accompanies it? A. I should say that from \$550 to \$600 would be a fair rental for that portion which the Edison Company uses.

Q. That is the carbarn? A. No, that is the North George Street Freight Station.

Q. The freight station. Are you familiar with the Pennsylvania Avenue carbarn of the York Railways Company? A. Yes, sir.

Q. Are you familiar with that part of it used by Edison Light and Power Company? A. Yes, sir, I made a personal inspection of it.

Q. Does Edison Light and Power Company receive any advantages at all other than furnishing mere space occupied by it? A. The advantages that they receive are a little unusual, and I think quite different than the average storage space. For example, they have the use of the garage, repair shop which adjoins the space which the Edison Company uses; they have access to all the tools, machinery for the repair of the Edison cars in addition to that they are furnished with light and heat.

Q. What in your opinion is the annual rental value of the space used and the service received by Edison Light and Power Company in the Pennsylvania Avenue Carbarn? A. I would say \$950 to \$1000 a year.

Q. How far is Red Lion from the city of York? A. Red Lion is about nine miles.

Q. Are rental conditions of industrial property in Red Lion more or less similar to those in York? A. Well, approximately so although the rentals in Red Lion are not as high as in York.

Q. You are familiar with the rental values of property in Red Lion? A. Yes; sir.

Q. Do you know the Red Lion freight station and waiting room of the York Railways Company? A. Yes, sir, I do.

Q. Does Edison Light and Power Company occupy a part of that building? A. Yes, they occupy a part of the building, which part is used for storage in addition to which their employee occupies an apartment on the second floor of four rooms

*Colloquy*

and a bath, and the occupant of the apartment is furnished with heat and light.

Q. What in your opinion is the annual rental value of the space used by Edison Light & Power Company at the Red Lion freight station? A. I should say \$450 to \$500 would be a very fair rental for that part of the building.

No cross examination.

Mr. Miles: If the Commission please, that includes the respondent's case except for furnishing at a later date some detailed break down of the company's rate case expenses as indicated by Respondent's Exhibit No. 16. I might say to the sitting Commissioner that at the time of the introduction of this exhibit there was a request by the previous Commissioner or counsel for the Commission to indicate what part of that rate case expense may have resulted from the use of property of York Railways Company. We are having that break down prepared now and at the next hearing we will furnish it.

The Commissioner: Together with the supporting material I have requested?

Mr. Miles: Yes, sir. We do reserve, Your Honor, the right to offer in evidence any rebuttal of what the Commission may present.

The Commissioner: I now invite the attention of counsel on both sides to the provisions of the new Public Utility Act. I presume counsel on both sides are aware of the provisions of the act. Have you studied it, Mr. Miles?

Mr. Miles: I have read it in a cursory way, because it was only furnished me recently.

The Commissioner: Have you, Mr. Miller?

Mr. Miller: I know some of it, Mr. Commissioner.

The Commissioner: I direct attention of counsel for both sides to the provisions authorizing the Commission to impose temporary rates at any appropriate stage in the

*Colloquy*

proceedings, that is, at such stage as may appear to the Commission to be appropriate. You are familiar with this provision, are you not?

Mr. Miles: Yes, sir.

The Commissioner: Are you, Mr. LaBrum and Mr. Keesey?

Mr. Keesey: Yes, sir.

The Commissioner: The sitting Commissioner now formally calls to the attention of both sides, and gives notice that it is the intention of the sitting Commissioner to report to the Commission that in his opinion this is the appropriate time for the Commission to consider the imposition of temporary rates. This being the first time such procedure is to be undertaken by the Commission this formal notice is intended to give notice to both sides so that all right, power and authority may be preserved and complied with. Have you anything to offer, Mr. Miles, as counsel for the Company?

Mr. Miles: We have no response.

The Commissioner: Anything to suggest at this time?

Mr. Miles: The only observation we might make at this time, Your Honor, is this:

Section 310 of the Law to which the sitting Commissioner has just referred reads as follows: "The Commission may in any proceeding involving the rates of a public utility brought upon its own motion or upon complaint after reasonable notice and hearing if it be of the opinion that the public interest so requires immediately fix, determine and prescribe temporary rates to be charged by said public utility pending the final determination of such rate proceeding."

Do I understand that Your Honor's observation from the bench is intended to be the notice contemplated by that section of the law?

The Commissioner: It is intended to be such notice, Mr. Miles; and, Mr. Miles, may I suggest that the opportunity is now afforded you gentlemen to argue the ques-

*Colloquy*

tion as to whether or not this is the appropriate time for the imposition of such rates, or to argue any other questions of fact or of law.

Mr. Miles: When does Your Honor propose to conduct a hearing that the section provides shall be conducted after the notice?

The Commissioner: What do you suggest?

Mr. Miles: What am I suggesting? I am merely suggesting that the Act provides that there shall be a hearing after notice.

The Commissioner: Do you request a hearing?

Mr. Miles: Obviously, sir. We don't expect rates to be reduced without a hearing.

The Commissioner: Do you request a hearing and argument upon such action?

Mr. Miles: Upon the furnishing of notice which the respondent regards as responsive to that section, we would, of course, expect that we would be allowed our day in court before any action is taken by the Commission to enforce temporary rates.

The Commissioner: That is what this notice is intended to provide, and this question is addressed to counsel for the Commission as well as counsel for the Company. What will be the nature of the Hearing? Will it be a hearing upon the facts developed in the case up to this time?

Mr. Miles: If Your Honor please, perhaps in fairness to our client I think I should make a statement with reference to this statement which has been interjected into the record by the sitting Commissioner.

In the first place we don't concede that the notice that Your Honor has given here is the character of notice contemplated by the statute.

In the second place we certainly don't concede that this law can be made operative with respect to that part of the proceedings which were conducted prior to the effective date of this Act.



*Colloquy*

In the third place we don't concede the constitutionality of this section which attempts to prescribe a 5 percent rate as being a reasonable rate of return in all instances.

In the fourth place I think it must be entirely obvious to Your Honor that we would be entitled to something more than four minutes—it has been by the clock four minutes' notice—within which to state what would be the company's position——

The Commissioner: I agree with you.

Mr. Miles: —on a notice of an intention to make effective temporary rates.

We would prefer that the Commission take such action as it thinks it should and can under the existing law and the respondent will then attempt to file such answer and take such action as it thinks is proper under these circumstances. I say this with the greatest respect, because I think the record should be clear as to our position.

The Commissioner: I understand. I bring this matter now to the attention of counsel in order that full opportunity shall be given to the company to avail itself of all the protection thrown around the property of the company.

Mr. Miles, do you suggest that argument shall be before the full Commission when argument shall be made?

Mr. Miles: Your Honor, I don't desire to make any suggestions as to what shall be the Commission's procedure. I should like to call Your Honor's attention, however, to the fact that you have made one previous order authorizing the reduction of rates and that there is an appeal now pending in the courts with respect to that.

The Commissioner: That is right.

Mr. Miles: Just what effect, Your Honor, an order such as you now suggest may have upon these proceedings I should think raises a very interesting and complex question of law that certainly I don't care to argue on four minutes' notice.

The Commissioner: Mr. Miller, what have you to suggest?

*Colloquy*

Mr. Miller: Mr. Commissioner, I must with great deference differ with you somewhat on your interpretation of the notice necessary.

The Commissioner: I don't, Mr. Miller, make any claim as to notice or any assertion. I am simply putting counsel for the company upon formal notice, and I don't allege that that is the notice to be given under the Act.

Mr. Miller: It is my thought, Mr. Commissioner, that if the company is given an opportunity to submit data showing the value of its property at a hearing of which it has had reasonable notice in a rate proceeding that that is sufficient notice of hearing prerequisite to the imposition of temporary rates. However, that is for the Commission to determine, and what procedure it may take under the circumstances.

The Commissioner: The company as I get Mr. Miles' statement stands upon the right of a hearing upon the question of temporary rates.

Mr. Miles: I think the Act makes that quite apparent that we are entitled to such hearing.

The Commissioner: The whole matter will, of course, be referred to the Commission and the interpolation on the record shall be presented to the Commission, as matters correlative must be considered before a decision is rendered.

Mr. Miller, as I understand it counsel for the company rests. Are you prepared to proceed?

Mr. Miller: Mr. Commissioner, we have some exhibits here which we have prepared to correspond with the reproduction cost estimate furnished by the respondent as of November 30, 1936, but I do not see that there is any reason for offering it at this hearing. We can correlate that with May 31, 1937 figures which have been presented today, and present the whole matter at the further hearing which will be had.

The Commissioner: Will you be ready to go on today.

*Colloquy*

always reserving to counsel for the company the right to present rebuttal evidence?

Mr. Miller: I don't think so, Mr. Commissioner, and until we see Mr. Reed's working papers I can't estimate how long cross examination will take or what rebuttal evidence we may have to put in.

The Commissioner: We will adjourn then until two weeks from today at ten o'clock.

Mr. Miles, you and your colleagues during that interval attempt to have a meeting of minds on the matter of the application of the temporary rates.

Mr. Miles: We will have the meeting, but I don't know whether they will meet.

---

I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me during the hearing on the above cause before the Pennsylvania Public Utility Commission of the Commonwealth of Pennsylvania, and that this copy is a correct transcript of the same.

E. E. MOYER,  
Official Reporter.

*Colloquy*

Stenographic report of hearing held in the Public Utility Commission Building at Harrisburg, Pennsylvania, Wednesday, June 23, 1937.

Commissioner BEAMISH, Presiding  
Commissioner LIVINGSTON

## APPEARANCES:

S. G. MILLER, Esq., Harrisburg, Pa., for Complainant

CLARENCE W. MILES, Esq., Baltimore, Md.

V. G. KEESEY, Esq., York, Pa.

J. HAROLD LABRUM, Esq., Philadelphia, Pa., and

DAVID I. McCAHILL, Esq., Pittsburgh, Pa., for respondent.

The Commissioner: You received notice of the temporary rates. Have you anything to offer by way of testimony, or in any other way at this time?

Mr. Miles: If the Commission please, I think it would perhaps be appropriate for the Company at this time to express its conception of this order and the statute pursuant to which it was presumably entered.

The order to which the Commissioner has referred reads as follows:

"Under Section 310 of Article III of the Public Utility Law, the Commission may, after reasonable notice and hearing, in any proceeding involving the rates of a public utility, immediately fix, determine and prescribe temporary rates to be charged by such public utility pending the final determination of such rate proceeding. The record in the instant proceeding is sufficiently full and complete to suggest and permit the fixing, determination and prescription of temporary rates under the provisions of the Public Utility Law. However, due to the fact that the Public Utility Law became effective on June 1, 1937, a date subsequent to several of the hearings in this pro-

*Colloquy*

ceeding, the Commission will, in the instant case, afford the respondent company an opportunity to present further evidence;

THEREFORE,

Now, to wit, June 15, 1937, it is ordered: That at the hearing scheduled in this proceeding for Wednesday, June 23, 1937, at 10:00 a.m., respondent, Edison Light and Power Company, present any evidence which it may have, in addition to that already presented of record, to the end that the Commission may have before it a proper basis for the fixing, determination and prescription of temporary rates under the provisions of Section 310 of Article III of the Public Utility Law."

Now, if Your Honor please, Section 310 of the Public Utility Law, to which reference is made in this order I have just read, contains some five paragraphs, sub-divided into paragraphs A, B, C, D and E.

Before making any observations as to whether this is the time, or whether this is the character of proceeding in which it is contemplated that a temporary order shall be fixed, I should like to refer briefly to the statutory provisions of Section 310.

Sub-paragraph, "(a)" reads: The Commission may in any proceeding involving the rates of a public utility brought either upon its own motion or upon complaint after reasonable notice and hearing if it be of the opinion that the public interest so requires immediately fix, determine and prescribe temporary rates to be charged by such public utility pending final determination of such rate proceeding. Such temporary rates so fixed, determined and prescribed shall be sufficient to provide a return of not less than 5 percentum upon the original cost less accrued depreciation of the physical property (when first devoted to public use) of such public utility used and useful in the public service, and if the duly verified reports of such pub-

*Colloquy*

lic utility to the Commission do not show such original cost less accrued depreciation of such property the Commission may estimate such cost less depreciation and fix, determine and prescribe rates as hereinbefore provided."

Now, sub-section "(b)" without reading it to Your Honor, because I am sure you are perfectly familiar with it, presumably vests in the Commission power to prescribe temporary rates as against utilities who do not maintain continuing property records.

Sub-Paragraph, "(c)" of the same section permits the Commission to prescribe month to month temporary rates.

Sub-Paragraph, "(d)" vests in the Commission authority to prescribe temporary rates for other periods.

Sub-Section, "(e)", by its terms requires that if on a final order the revenue is greater than that permitted by the temporary order or allowed, then in such final order the Commission must permit the utility to earn the difference between the amount prescribed in the temporary order and that determined in the final order.

Now the order, which I have just read to Your Honors, gives to this company no indication of whether these temporary rates which are suggested by the last paragraph of the order are to be trial rates, that is to say, rates for a given trial period, or to be rates from month to month, or whether they are merely to be rates to remain effective until the final order is passed fixing the value of the property of the respondent and lay down the rate of return which it will be entitled to earn.

However, it would seem clear to us that paragraphs C, D and E have no bearing upon a situation of this sort.

It seems to us, as I have stated before, that paragraph "(b)" is applicable, and is to be invoked by the Commission, as we interpret the section, only where the utility in question does not maintain continuing property records; and that paragraphs C and D are not intended to be invoked during the



*Colloquy*

tendency of a formal proceeding, but are to be invoked only where there has been no such formal proceeding, or the Commission has before it only records or monthly reports and other data sufficient in its judgment to support a temporary order. Hence, by the process of elimination, so to speak, it appears to us that the section pursuant to which this Commission has presumably acted, and pursuant to which it presumably it only could have acted in issuing the order I have just read, must be sub-section A, of Section 310, and that is the section which says that the Commission may in any proceeding involving the rates of a public utility enter this temporary order.

Now, if Your Honors please, we submit in all fairness, and we think by the application of fundamental rules of reasoning that at this stage of this particular proceeding the passage and entry of an order fixing temporary rates would be substantially nothing more than a gesture, and we don't think that the Legislature ever intended, nor do we think that this language could be construed to justify the issuing of a so-called temporary order at the very conclusion of a formal proceeding.

To illustrate what I mean, if this section had been invoked, assuming that it had been in existence some five or six months ago, then it could be understood why the Commission would enter such a temporary order—

The Commissioner: You have not concluded your case then.

Mr. Miles: I say five or six months ago.

The Commissioner: Yes.

Mr. Miles: Of course not, and that is just my point, that a temporary order as distinguished from a permanent order should not be entered until the case is concluded. The very purpose of permitting a temporary order under this paragraph of Section 310 is to give the rate payer the benefit of some

*Colloquy*

protection during a long drawn out controversy relating to rates.

The Commissioner: Are you familiar with the history of rate cases in Pennsylvania?

Mr. Miles: Am I familiar with them?

The Commissioner: Yes.

Mr. Miles: In a general way, sir.

The Commissioner: Do you know that even after the conclusion of testimony rate cases have dragged along for eight; ten, eleven years?

Mr. Miles: That is quite true, sir.

The Commissioner: And you would say that the Commission is powerless to cure that intolerable condition?

Mr. Miles: No sir, nor could any remark that I have made be properly subjected to that interpretation. If Your Honor will permit me to complete my argument, I am attempting to develop what our conception of this statute is.

I say that by its language it is clear that the Legislative intention here was to prescribe means whereby this Commission could enforce a rate pending determination of a formal proceeding. That is clearly the language of the paragraph itself, and with the greatest deference to the sitting Commissioner, I say that in the only reported case of which we have any knowledge in this country, exactly that interpretation has been placed upon a statute almost verbatim similar to this, and that is the case of the Bronx Gas and Electric Company, which was decided by the Court of Appeals of New York, on July 8, 1936.

Now, if Your Honors will take time and trouble to compare Section 114 of the New York Public Utility Law with Section 310 of the Pennsylvania Public Utility Law, you will find the language is almost uniformly the same as to the application of the 5 percent on depreciated original cost as the Pennsylvania General Assembly has written into this section.

*Colloquy*

Pursuant to that section of the New York Law the New York Commission issued a temporary order during the early stages of a formal rate proceeding involving the Bronx Gas and Electric Company. I might say that there was a section in the law there similar to here which prevented a superse-  
deas. The Bronx carried that order into the Courts and attacked the constitutionality of the law, relying upon the decision of the Supreme Court in the Pendergast Gas Company case, which involves, I think, a telegraph and telephone company. After distinguishing between the rule laid down by the Supreme Court in the Pendergast case and what the New York Court of Appeals felt was the proper interpretation of this section, the New York Court of Appeals then proceeded to state its conception of the purpose and intention of the section of the New York Law, which as I have repeatedly said is almost a verbatim copy of the Pennsylvania law.

"After this decision," referring there to the Pendergast decision of the Supreme Court, "the Legislature of the State of New York was confronted with this quære: Was it ever possible to compel public service corporations to charge reasonable rates, pending the long drawn out and interminable proceedings to establish a fair return? The establishment of the proper base rate, or the present capital investment, upon which a company is entitled to a fair return, has become an intricate, involved, tedious proceeding, extending into months and years. Much of the evidence produced is expert testimony, varying in worth and uncertainty, presenting a maze of detail and figures." \* \* \* Without suggesting in any way that the public service corporations have not acted with utmost good faith, we can see the opportunity as did the Legislature, for the intentional delay in these proceedings whereby unwarranted profits may be obtained. The fixing of a reasonable rate by these public service corporations, who enjoy from the public such valuable franchises, to be of any value should be a matter of speedy regulation. The courts should not encour-

*Colloquy*

age such finesse in figuring as to make these hearings upon rate questions an obstruction instead of a relief. Of course caution must be used on both sides for the desire for improper gain is oftentimes as eager with the consumer, or his spokesmen as with the corporation.

"Recognizing the present day conditions surrounding the difficulty in determining the proper rate, we come back to the question: Is it possible for the law, Legislature or Congress to provide for a temporary rate, pending these lengthy hearings? The Legislature evidently had in mind all that I have here said regarding the Pendergast case, *supra*, and the difficulties there pointed out when in 1934, chapter 287 of the laws of that year it added sub-division 114 to the Public Service Commission's Law. This section reads: "Temporary rates. To facilitate prompt action by the Commission in proceedings involving the reasonableness of the rates of any public utility and to avoid delay in any such rate proceedings, the Commission is hereby authorized to require any public utility company to establish, provide and maintain continuing property records including a list or inventory of all of the physical property actually used in the public service, and to require any public utility company to keep its books, accounts, and records in such manner as to show currently the original cost of said physical property and the reserves accumulated to provide for the retirement or replacement of said physical property.

"The Commission may in any such proceeding, brought either on its own motion or upon complaint, upon notice and after hearing, if it be of opinion that the public interest so requires, immediately fix, determine and prescribe temporary rates to be charged by said utility company pending the final determination of said rate proceeding." Now that, Your Honors, is the language of this Pennsylvania section also. "Said temporary rates so fixed, determined and prescribed shall be sufficient to provide a return of not less than 5 per

*Colloquy*

entum upon the original cost, less accrued depreciation of the physical property of said public utility company used and used in the public service, and if the duly verified reports of said company to the Commission do not show the original cost less accrued depreciation of said property, the Commission may estimate said costs less depreciation and fix, determine and prescribe rates as hereinbefore provided." Now, that is a verbatim copy of this paragraph of the Pennsylvania law. Then the court goes on without burdening Your Honors with reading the whole section, the court goes on to say that course to allow 5 percent on the depreciated original cost a permanent order would be to violate all of the theories and rules of rate making laid down by the Supreme Court of the United States, but they say the constitutionality of that is saved by virtue of the fact that there is a provision in this law which says that when a permanent order is entered the company must be allowed to earn the difference between that which was prescribed in the temporary order and that which was prescribed in the permanent order.

Now, that reason, if Your Honors please, so far as the reasons are concerned and the circumstances under which a temporary order can be entered, is the position we take here, and is a sound position. What possible benefit can be gained by adding the public of York when at the conclusion of a rate proceeding which has lasted seven months, during which a luminous record has been compiled, a temporary order is entered which within three or four or five weeks this Commission may be required to substitute by a permanent order.

Now, it is not necessary to that argument to suggest that litigation may follow the entry of the permanent order—

The Commissioner: Why isn't it?

Mr. Miles: Because if litigation does follow we are required to give a bond which protects these consumers against rate reduction that has been ordered—

*Colloquy*

The Commissioner: The Solar Electric and other companies whose delays not only clutter the record, but have prevented substantial justice to the citizens—

Mr. Miles: I am not interested, Your Honor, as to whether substantial justice has been given to other companies, I am attempting to argue the record in this case, and to state our position here.

The Commissioner: We are interested in substantial justice to the citizens.

Mr. Miles: To the citizens, but not knowing the facts that these other cases involved, I cannot debate with justice any statement that may be made about them, but I do know that we are through this rate case. We have perhaps three minutes of testimony this morning, at the conclusion of which, subject to whatever the other side cares to offer Your Honor will have before it this entire record. I submit that under those circumstances that is the time to pass a permanent order and not a temporary order. S

Now, if Your Honors please, there are additional reasons for our position with reference to the temporary order which at this time would be nothing more than a gesture.

Section 305 of this new law reads as follows:

“No public utility shall require the payment of rates in advance or the making of minimum payments, ready to serve charges, or deposits to secure future payments of rates, except as the Commission by regulation or order may permit.”

Now, we are not conscious that the Commission has entered any such order or regulation. The section would be construed to mean that in the absence of such regulation no service charges can be exacted by any public utility company after the effective date of this law, and if that is true, and that is the interpretation which this Commission placed upon it, then it costs the Edison Light and Power Company \$310,000 today, which comes right out of its revenues, and it certainly must



*Colloquy*

be considered in the rendition of any order requiring a reduction of its rates.

Now, I don't know whether that is the interpretation Your Honors put on this section. My brothers don't know whether that is the interpretation that Your Honors put on this section, but we have read it, that is the thing that it is doing, and I say in all fairness, not only to the Edison Light and Power Company, but any other utility company in this state whose rates are being subjected to an attack as to their reasonableness, is entitled to know whether \$300,000 is to be stricken from its revenues because of the abolition of service charges, ready-to-serve charges, minimums and other things that are referred to in Section 305.

Section 1201 places upon the utility, subject to the jurisdiction of this Commission, and vests in the Commission wide discretionary power to determine the method of allocating that cost between the various utilities. We don't know how much Your Honors are going to say shall be charged to the Edison Light and Power Company as its proportionate contribution towards the cost of regulation, but obviously whatever is charged to it affects its operating expenses, just as whatever is extracted from them by virtue of this service charge provision, takes that much away from its revenues. Now, how Your Honors can pass a so-called temporary order until these questions of public policy have been clarified by this Commission we are in complete ignorance.

Now, Your Honors, there is another reason, if I may be permitted to say so, why we think that in all fairness this Commission should move slowly in passing this temporary order. I know Your Honor like all the rest of us is but a human being, and I know Your Honor has had a great deal of experience since he came on this Commission, not only concerned with the record of the Edison Light and Power Company, but with the records of probably many other cases that

were pending before this Commission before you assumed office. This record is full of instances where Your Honors' predecessors denied to this company the right to present testimony which we think goes to the very essence of this whole thing. Whether this Commission has had an opportunity to review that record fully I don't know, I would rather imagine that they have not, and I say that there are numerous instances where we were denied presenting to that Commission, and Your Honors are the successors of that Commission, and under the provisions of this law you take over the record as you found it, we were denied the right to show what would be the effect, not upon the stockholders, if you please, or those owning securities alone of this company, but upon the public of York, if this Commission adhered to its previously expressed public policy of allowing a 6 percent rate of return.

Now, Section 310, in the very first sentence of the paragraph, under which I think we agree this Commission is proceeding in connection with its contemplated temporary order, says that if it, the Commission, be of the opinion that the public interests requires it can fix, determine and prescribe by temporary order the reasonableness of these rates. Now, Your Honor, we submit that we are entitled to a hearing before this new Commission on the question of whether that testimony should have been rejected that was prepared in this proceeding.

The Commissioner: Do I interpret that correctly as being a request for an opportunity to argue those points before the whole Commission.

Mr. Miles: Yes, I am coming to that in just a minute with a little more clarity. We were prepared at that time and we are prepared at this time, or at any other date that this Commission designates to establish, we think, beyond any question of reasonable doubt, that the consumers, and I am speaking now of electric consumers of the Edison Light and Power Company, derive substantial benefits from the affiliations of

*Colloquy*

that company which the Steam Heat Company and the Railway Company, and that the application by this Commission of a 6 percent rate of return to the property of the Edison Light and Power Company would destroy those benefits which have existed in past years, and not only destroy with it the railway service to the people of York, but what is more important as a matter of law, I don't say more important as a matter of public policy, because it is difficult to me to think of anything more important than maintaining that railway, it is more important to the people of York, I say as a matter of law, what is more important is the fact that when you lay down the rule which says that this respondent company can no longer enjoy the benefits that it has previously enjoyed by virtue of its affiliations with these other two companies, in the way of reduced operating expenses and in the way of sales of energy and at compensatory rates, then you are directly, and it is inevitable, you are directly penalizing the electric rate payers of the Edison Light and Power Company. With that sort of a record, bearing in mind that we are through this case, we are not at the beginning of it, we are towards the end of it, we are at the very finish of it, bearing in mind that fact, and the fact that this record is full of questions that aroused great debate, as to public policy, bearing in mind that the General Assembly of this state in the exercise of its wisdom saw fit to rip out the Commission which denied us that opportunity, saw fit to replace them with a new Commission under a new law, I say that bearing all those things in mind, if Your Honors please, we submit that this is not the time for a temporary order. This is the time for this Commission to pass a permanent order after reviewing this record, after affording us an opportunity to be heard on these things that the other Commission rejected.

Now, this is an unusual situation if the Commission please. I don't know whether Your Honors agree with the ruling Com-

*Colloquy*

missioner Stahlnecker made, with which his associates presumably agreed, I don't say that you will agree with this ruling or that you will disagree with it, but I submit that in all fairness we should be afforded our day in Court before this Commission to argue whether Commissioner Stahlnecker and his associates were right in denying this company an opportunity of presenting those things in the record, and I say refusal to do it can only lead to litigation. We don't want to spend our money and time in the courts, whether Your Honor thinks we do or not. We want to reach the end of this proceeding, but we want to live, we are entitled to live with a reasonable rate, and that is the goal and the boon which we are seeking.

The Commissioner: The sitting Commissioner will present your request for argument before the full Commission at its next executive session.

Mr. Miles: Thank you, sir.

At the same time we would like to argue before the full Commission, because you cannot divorce these questions, we would like to argue before the full Commission, and I want to say, Commissioner Beamish, that that is no reflection in any manner upon you, I don't want it to be so considered—

The Commissioner: I take it that way.

Mr. Miles: We want an opportunity not only to argue before the whole Commission the propriety of Commissioner Stahlnecker's ruling, but we want an opportunity to argue before this Commission whether this is the time and the place for a temporary order.

Now, so far as additional testimony is concerned, my brothers remind me there is one other problem that enters into this situation, and that is in connection with the interim order.

The Commissioner: That need not concern you. That interim order has been rescinded.

Mr. Miles: It has been rescinded?

*Colloquy*

The Commissioner: Yes.

Mr. Miles: Now, with respect to additional testimony, we have two things in mind, and when I said we had testimony that would require three minutes, it will not greatly exceed that. We want to put Mr. Seelye on the stand, and this testimony is not prevented by the order for temporary rates, this is part of the permanent record in this case, we want Mr. Seelye to testify as to certain phases of the rate case expense; we want an opportunity for him to tell this Commission what would be the effect upon this company of not permitting it to continue making service charges. Then we want to preserve, of course, unto ourselves the right to offer any testimony in rebuttal to that which counsel for the Commission will presumably offer today.

Now, with the testimony of Mr. Seelye, and reserving the right to offer rebuttal testimony, I want to express this as forceably and sincerely as I know how, that we have an opportunity to present this whole matter before this entire Commission so that we cannot be placed in a false light with our consumers or anywhere else. With this reservation, unless my brothers have something to add, we are prepared to go forward with the testimony in the permanent record.

The Commissioner: In reply to your statement as a whole, the sitting Commissioner observes that it is his undeviating purpose to afford both sides the fullest opportunity to lay their full case before the Commission, and to write into the record whatever testimony, whatever relevant arguments they may have to make; that insofar as your opportunity to be heard and have your day in court the sitting Commissioner has the fullest sympathy.

Mr. Miles: Thank you, sir.

The Commissioner: The sitting Commissioner will report your request for argument before the full Commission to the Commission and you will have an early reply.

I would ask counsel for the Commission if he has anything to say in reply.

Mr. Miller: I want to disagree with Mr. Miles' interpretation of the provisions of Section 310 of Article 3 of the Public Utility Law as to the imposition of temporary rates.

Mr. Miles said, among other things, that Sections A and B were divisible—paragraphs A and B of Section 310 were divisible in that paragraph B would not apply to the respondent company.

As I interpret the law that is not correct.

Paragraph A states a minimum limit below which temporary rates shall not go, or a return of 5 percent on the original cost of the company's property.

Paragraph B says that where continuing property records are not available that the return shall be not less than an amount equal to the operating income for the year ending December 31, 1935 or such other subsequent year as the Commission may deem proper, and to be determined in a specific manner, shall be the minimum below which temporary rates shall not be reduced.

Now, the present respondent, the Edison Light and Power Company, does not have continuing property records, and therefore is under the provisions of paragraph B, as well as under the provisions of paragraph A of that section.

Relating to the time when temporary rates may be prescribed, Mr. Miles read that Section 310 says that the Commission, if it be of the opinion that the public interests requires may immediately fix, determine and prescribe temporary rates. Now, who is going to say that the Commission cannot defer the determination of what its opinion is, or the determination of what the public interest requires, until a full record is before it. It must act on a partial record. Now, I don't think the Act requires any such thing. It seems to me only reasonable to interpret the Act as permitting the Com-



*Colloquy*

mission to take testimony in the proceeding, and when that testimony in the Commission's opinion indicates that temporary rates should be fixed, determined and prescribed in the public interest that at that time, and not before, regardless of when that time is, the Commission should fix, determine and prescribe the temporary rates. That provision that the Commission "if it be of the opinion that the public interest so requires" to my mind gives the Commission a discretion as to when the temporary rate shall be prescribed. Now, Mr. Miles suggests that temporary rates should not be prescribed before the conclusion of a rate case record, because that is the time for the prescription of permanent rates. That would be true in an ideal situation. If we lived in Utopia the Commission could then wait probably until after the conclusion of testimony to prescribe permanent rates, but it is physically impossible for men or human beings to review a record that has taken seven months to make up, and to arrive at a proper, reasonable and fair determination of reasonable permanent rates within a week or even a month, or even within two months, especially since Mr. Miles desires to argue to the Commission certain matters, which while they may be important enough, nevertheless, do not relate to the basis for prescription of temporary rates.

The words of the section are, that the Commission pending final determination of a rate proceeding may prescribe temporary rates. Mr. Miles apparently interprets, "final determination" to mean; "conclusion of testimony," because he says that after the testimony has been concluded temporary rates can't be prescribed. I don't think final determination means that. Final determination as I interpret it means the time when the Commission finally determines that certain rates are reasonable on a permanent basis, or as permanent as rate prescription can be, as contemplated by Section 1103 of Article 11 of the Public Utility Law. Final determination on appeal,

*Colloquy*

under Section 1103, any temporary rates prescribed by the Commission will be the rates to the public while an appeal is before the Superior Court if a supersedeas is granted. If no temporary rates are prescribed at the conclusion of the testimony and before the determination by the Commission and an appeal is taken there will be no temporary rates, and if supersedeas is granted those rates will be the rates that they were charging when the rate proceedings were begun and not the temporary rates prescribed by the Commission.

Now, as to Mr. Miles request for argument before the Commission; as I understood it, it was divided into about three parts. One was that he desired to argue the matter of temporary rates. Well, I, of course, see no objection to that.

Another point was that he desired to argue the decisions of Commissioner Stahlnecker as to the exclusion of the properties of the affiliates of the respondent company from the rate base of the respondent company. As to that again it is a matter for the Commission to decide whether in its opinion it is proper to include those properties.

Mr. Miles: Of course, we didn't ask that the property be included in the rate base. We never suggested that. We are not asking that any properties be included in the rate base.

Mr. Miller: You offered valuations of the properties of these affiliated companies, the York Steam Heat Company, the York Bus Company and the York Railways Company.

Mr. Miles: That is right, evidence of other matters, but not at any time did we suggest that those properties be included in the rate base. I just say that because I don't want the present Commission to be confused. We did offer to show evidence of the benefits that resulted to the Edison Company and its consumers as a result of certain agreements that it had with these other companies. We further attempted to show that to divorce these three companies would increase the operating expenses of the Edison Company, and would also cause them

*Colloquy*

to suffer the loss of certain revenues, both of which we felt would be detrimental to the consumers of the Edison Company, and we think there are some Pennsylvania Superior Court decisions to sustain that reasoning.

The only reason I interrupted Mr. Miller is I didn't want any Commissioner to be under the impression that we were asking for any joint valuation of the properties of these companies.

The Commissioner: What you did ask for was an allowance of  $7\frac{1}{2}$  percent instead of 6 percent.

Mr. Miles: That is right, sir.

Mr. Miller: With respect to Mr. Miles' desire to argue that before the Commission, I don't think there is very much basis for his request. Mr. Seelye's testimony will show that he said that a rate of return of  $7\frac{1}{2}$  percent was reasonable. When I asked him on what basis he arrived at that  $7\frac{1}{2}$  percent figure he said that he had taken 6 percent and had added  $1\frac{1}{2}$  percent because of the advantage which the affiliation of those companies had to the Edison Light and Power Company and to preserve the financial situation between these affiliates. For that reason he added  $1\frac{1}{2}$  percent so that the financial situation could be preserved to that extent at least.

Mr. Miles: May I add just one observation?

The Commissioner: Yes.

Mr. Miles: In view of the assurance of the sitting Commissioner that the question of this offer before the Commission is to be given serious consideration, because I don't want any confusion in the mind of this Commission, I want to make this perfectly clear statement that we offered certain studies as to revenues, expenses and property of the two affiliates, due to a finding of the Superior Court in a previous case decided several years ago, where an offer was made by the respondent in that case to get some benefits from the result of its affiliation with two other companies, the Superior Court held that

*Theodore E. Seelye—For Respondent—Direct*

while there might be, and I am almost quoting their language the best I can from recollection, while there might be room to support the legal contention that consideration of the effect upon the affiliates should be given, that the respondent in that case had failed to present to the Commission evidence of what the situation was with respect to its affiliates. Now, we don't want to find ourselves in that position in this case.

The Commissioner: I understand your position perfectly, Mr. Miles. Call your witness.

---

THEODORE E. SEELYE, recalled.

The Commissioner: For the benefit of Commissioner Livingston this witness is who?

Mr. Miles: Theodore E. Seelye, Vice President of Day and Zimmerman, Incorporated, of Philadelphia.

Also for the benefit of the Commissioner, Day and Zimmerman have been charged with the engineering and accounting investigation in this case which Your Honors have before you, and the exhibits which have been heretofore presented, and I am going to make some reference to one of those exhibits.

*Direct Examination*

By Mr. Miles:

Q. Mr. Seelye, I call your attention to a copy of Respondent's Exhibit No. 16 as presented in this case, dealing with the rate case expenses. I ask you how much of the total figure of \$86,000 shown on that exhibit results from expenses incurred incident to the examination of the properties and accounts of the York Railways Company and York Steam Heat Company? A. An exact division of the expenses between these respective companies is not entirely possible because of the

*Theodore E. Seelye—For Respondent—Direct*

fact that men worked jointly on various phases of the work. We have made as careful an estimate as we can of these services, and the cost of the work for engineering and accounting with respect to the Railways Company and the Steam Heat Company and the Bus Company is about \$16,000.

Q. In other words, of the \$86,000 total estimate of Day and Zimmerman, is that \$16,000 could be attributed to their investigation of the properties of the Railways Company and the Steam Heat Company? A. Yes sir.

Q. And the balance attributed directly to Edison Light and Power Company? A. Yes sir.

Q. Now, Mr. Seelye, without qualifying you or attempting to do so as a lawyer, but purely by way of foundation, I call your attention to Section 305 of the Pennsylvania Public Utility Law, the first sentence of which reads as follows: "No public utility shall require the payment of rates in advance or the making of minimum payments, ready-to-serve charges, or deposits to secure future payments of rates, except as the Commission by regulation or order may permit." I ask you whether you have caused to be made any examination of the books and records of the respondent for the purpose of determining, based on its 1936 operations, how much its gross revenues would be reduced if it were not to continue making such charges as are enumerated in Section 305?

Mr. Miller: Now, I want to interpose an objection to that, Mr. Miles. The Commission has adopted a temporary regulation No. 2, which covers certain exemptions from the provisions of Section 305, and I think that Mr. Seelye's testimony should not be given until he has had an opportunity to examine that regulation.

Mr. Miles: Now, in response to my brother's objection, I am compelled to take issue with him as to the admissibility of this evidence. If for any proper rea-

*Theodore E. Seelye—For Respondent—Direct*

son because of the regulation which he has referred to, by its very premise provides it is a temporary regulation, the only purpose of the question propounded to Mr. Seelye is, and that is all it is offered for, to show the Commission what would be the effect if they were denied the right to continue making these charges. Now, if in the exercise of the Commission's discretion they are not going to be required to discontinue this practice, then the Commission will have the benefit of the opinion evidence. On the other hand if it is the Commission's intention to prohibit such charges, then we think it is equally proper for them to know the extent that the respondent would be affected.

The Commissioner: Your question as the sitting Commissioners understand it is that supposing all these charges were prohibited by the Commission, and that no order were issued which would in any way shade or modify that condition, if such condition existed, what would be the effect upon this company?

Mr. Miles: That is right.

The Commissioner: And as I get Mr. Miller's objection it is to the effect that no modification exists, and that the question should direct itself to realities and conditions as they exist since that modification was made by the Commission.

Mr. Miller: That is correct, Mr. Commissioner. Of course, if Mr. Seelye wants to testify as to the various amounts which will be lost to the company by reason of specific provisions of Section 305, then Mr. Miles suggestion that the Commission pass upon Mr. Seelye's testimony in the light of the temporary regulation may be all right.

The Commissioner: I will admit the question since it will throw light upon the condition. You may answer it.



*Theodore E. Seelye—For Respondent—Direct*

The Witness: Our investigation was confined solely to the matter of the service charges applying to the light rates and not to the demand charges which might be by some construed as covered by that section. The service charge in York is 95 cents, which is also the minimum charge. Based on the number of billings in 1936, of which there were 326,623 subject to the payment of this service charge, the amount of reduction which would be involved by the elimination of this service charge would be \$310,292.

Mr. Miles:

Q. And that figure, I believe, is based on the company's 36 operating experience? A. Yes sir.

Q. The \$310,000 figure which you have given is a gross one, is it not? A. Yes, that is the gross reduction.

Q. And presumably if service charges were prohibited by Commission the company's net revenue would not be reduced by \$310,000, but some sum after considering the reduction in income taxes which would result? A. Yes. I have not computation to indicate the reduction in net revenue.

Q. That is to say that obviously if the company's gross revenue is reduced in payment of income tax, it is lessened, and hence there is an effect upon the difference between the net and gross income? A. As well as gross receipt tax and so forth.

Q. Have you any estimate of what that amount would reach in figures? A. I have no estimate, Mr. Miles.

Q. All right, have you anything— A. I have not prepared any estimates.

Mr. Miles: The witness is with you.

*Theodore E. Seelye—For Respondent—Cross*

*Cross Examination*

By Mr. Miller:

Q. Mr. Seelye, the York Railways Company has as much property as the Edison Light and Power Company, does it not?

A. No sir.

Q. Do you know what it is? A. We didn't offer that in evidence, and I don't remember the figures because I have not planned to deal with that, but I am quite certain that the property of the Railways Company is less than the Electric Company..

Q. They are substantially the same, are they not; there is no great difference between them? A. Yes, I think there is a very considerable difference.

Q. Would you say that there was a difference so great as to explain the difference between the cost of \$70,000 which you say is attributable to the appraisal of the Edison Light and Power Company and the \$16,000 which you said it cost to appraise the York Railways Company, the Steam Heat Company and the Bus Company?

Mr. Miles: For the purpose of the record I object to the form of the question, because the witness has never stated it cost \$70,000 to appraise the Edison property. There are a lot of items involved in that estimate which deal with matters other than appraisals of property.

The Commissioner: I will sustain the objection.

By Mr. Miller:

Q. Mr. Seelye, where did you obtain the figures as to the revenue reductions if the provisions of Section 305 are made effective? A. We have in our office a complete record of all billings in the various classifications. We made a computation on the basis of those billings. For the purpose of checking

*Theodore E. Seelye—For Respondent—Cross*

this we requested the company to make similar computation, and we find no difference. As a matter of fact the record which we have is obtained from their records, and it is not to be expected that there would be a difference, but we wished to verify the correctness of our figures.

Q. I believe you stated that there is a 95 cent service charge for residential users? A. Yes sir.

Q. Are there any other service charges? A. There are different charges on industrial power. We have not given consideration to that in this computation.

Q. Is energy sold for the demand charge? A. No,—under the industrial rate, you mean?

Q. Yes, that is right. A. No, the carrying or demand charge is aside entirely from the energy rate.

Q. I mean in connection with this company? A. No sir, it is a separate charge.

Q. It is a service charge then, is it not? A. I am not qualified to state that without an investigation of that phase of it. It might be part of the rate.

Q. Do you know what the position of the company is as to deposits? A. The company has deposits, has customers deposits. I think the amount of that is indicated in the statements which have been submitted in evidence at various times.

Q. But did you make any study of the deposit situation to determine how many deposits would have to be refunded under the provisions of Section 305? A. No sir, there has not been time to do that since this section of the law was brought to our attention.

Mr. Miller: That is all.

*Theodore E. Seelye—For Respondent—Redirect*

*Redirect Examination*

By Mr. Miles:

Q. You said a minute ago that the company had a 95 cent service charge applicable to residential consumers? A. Yes sir.

Q. A similar charge on bulk or commercial? A. To light rates.

Q. The \$310,000 figure which you have given covers residential and commercial? A. It covers all service charges except demand charges on industrial power, small power.

By Mr. Miller:

Q. Mr. Seelye, there is one matter of information which the Commission requested you to furnish which we don't have, and that is the break-down of the \$47,600 figure relating to conduits and cables in the central station of the respondent company? A. Mr. Miller, I think that was sent in.

(Remarks by Mr. Miller at his request off the record.)

The Commissioner: Will you make a check and supply it for the record if it is not in.

Mr. Miller: That is all, Mr. Seelye.

The Commissioner: Have you any other witnesses, Mr. Miles?

Mr. Miles: The respondent submits its case reserving only the right to offer testimony in rebuttal to that which may be presented by counsel for the Commission.

The Commissioner: You have nothing further to say in response to the order of the Commission as to the temporary rate.

Mr. Miles: No sir, because we have made a complete showing and we believe we have covered that subject.

The Commissioner: You rest on that with your request for argument before the whole Commission.

*Colloquy*

Mr. Miles: I rest on that as limited by my remarks earlier in the day.

The Commissioner: Now, we will return to the formal rate case.

Mr. Miles: Your Honor does not mean to suggest by that last remark that what has been offered up to date is not part of the record?

The Commissioner: Not at all, but I say as to the temporary feature of the case the matter is closed, and we will return to the formal rate case.

Mr. Miller, have you anything?

Mr. Miller: Yes sir, we have three matters, accounting matters, concerning which we requested information from the company, and I am advised that we don't have the information on that. The first request appears at page 1174 of the testimony and relates to details regarding payment of \$913.80 to Stone and Webster in 1936. The purpose of that request is to obtain the break-down of that figure and any consideration for the payment.

The Commissioner: Let us take those as they occur. Mr. Miles, if that is not in the record will you engage to have that question answered?

Mr. Miller: The company has agreed to furnish that information.

The Commissioner: You stand on that.

Mr. Miller: Yes sir, I am merely calling their attention to it at this time.

The Commissioner: Read it into the record.

Mr. Miller: At page 1176 we requested the amount of uncollectible accounts written off during the year ending December 31, 1936. Also the amount recovered each year from the accounts previously written off.

At page 1177 we request the transmission system expenses applicable to the conversion of power from al-

*H. Root Palmer—For Complainant—Direct*

ternating current to direct current for power used by York Railways Company.

The Commissioner: Do you have a witness?

Mr. Miller: Yes sir; I have three witnesses.

---

H. ROOT PALMER, recalled.

*Direct Examination*

Mr. Miles: With respect to two of Mr. Miller's three requests I am afraid we cannot give any more information than we have already given, because it is all disclosed by the company's records.

The Commissioner: Will you in your reply state why you cannot. Will you do that through your accountants or engineers as the case may be, and if it is impossible let us have that in writing for the record.

Mr. Miles: Do you mean to suggest that the orderly way to do that is to let us furnish in writing such part of this as we can and an explanation as to why we cannot furnish the balance with the understanding that it will be made a part of the record in this case.

The Commissioner: That is right.

Mr. Miles: That is quite satisfactory.

By Mr. Miller:

Q. Mr. Palmer, did you present Complainant's Exhibit No. 18? A. Yes sir.

Q. And upon what was that based, Mr. Palmer? A. Exhibit No. 18 was based upon the Day and Zimmerman appraisal as of June 30, 1934.

Q. And will you give me in a few words what the exhibit shows?



*H. Root Palmer—For Complainant—Direct*

Mr. Miles: Which exhibit are you referring to?

Mr. Miller: Exhibit No. 18.

The Witness: That exhibit included Accounts Nos. 204, to 215 in the steam generating system group, composed of land, structures, railroad sidings and so forth, boiler plant equipment, steam engines, turbines, turbo generators, other electric generators, other electric equipment, coal storing and weighing equipment, other power plant equipment—

Mr. Miller: I believe I asked Mr. Palmer about Exhibit No. 18. I meant to ask him about Exhibit No. 17.

By Mr. Miller:

Q. Mr. Palmer, did you submit Complainant's Exhibit No. 17? A. I did.

Q. Will you state briefly what Complainant's Exhibit No. 17 shows? A. Exhibit No. 17 is a summary of the reproduction cost estimate as of June 30, 1934, Day and Zimmerman report No. 3024.

Q. And upon what was the Exhibit No. 17 based? A. Upon the reproduction cost of Day and Zimmerman.

Q. Shown by what appraisal of Day and Zimmerman? A. June 30, 1934.

Q. After the submission of Exhibit No. 17 in evidence did the respondent company present a later appraisal by Day and Zimmerman? A. They did.

Q. And as of what date was that appraisal made? A. November 30, 1936.

Q. Have you revised Complainant's Exhibit No. 17 to correspond to the Day and Zimmerman appraisal of November 30, 1936? A. I have.

Summary of reproduction cost estimate as of November 30, 1936, from page 1 of report No. 3224, Day and

*H. Root Palmer—For Complainant—Direct*

Zimmerman, Inc., produced and marked Complainant's Exhibit (revised) No. 17, E.E.M., 6/23/37.

By Mr. Miller:

Q. I show you a paper marked Complainant's Revised Exhibit No. 17, and ask you if that is the revision to which you referred? A. It is.

Q. Are all of the figures appearing on Revised Exhibit No. 17 figures placed in the record as a part of the Day and Zimmerman appraisal of November 30, 1936? A. They are.

Q. Now none of those figures have been altered or adjusted by you? A. They have not.

Mr. Miller: I offer in evidence Complainant's Revised Exhibit No. 17 to take the place of Complainant's Exhibit No. 17.

Mr. Miles: No objection.

By Mr. Miller:

Q. Now, Mr. Palmer, did you submit Complainant's Exhibit No. 18? A. I did.

Q. Will you state briefly what that exhibit shows? A. The reproduction cost new less depreciation based upon the Day Zimmerman appraisal as of June 30, 1934.

Q. Have you found it necessary to revise Exhibit No. 18 on the basis of the appraisal of November 30, 1936 by Day and Zimmerman placed in evidence by the respondent company?

Mr. Miles: Just for the purpose of clarity, Mr. Miller, would you be good enough to refer to page numbers of Exhibit 18 that are being revised. There are about ten pages in that exhibit.

(Last question read)

The Witness: Sheet No. 1.

*H. Root Palmer—For Complainant—Direct*

By Mr. Miller:

Q. Will you answer that question yes or no, please? A. I have.

Q. Will you state in what respect you have found revision necessary? A. Changes in the appraisal made by Day and Zimmerman as of November 30, 1936 as compared with June 30, 1934.

General Plan of Property, Steam Station, Edison Light and Power Company, (16 sheets) produced and marked Complainant's Revised Exhibit No. 18, E.E.M., 6/23/37.

By Mr. Miller:

Q. Mr. Palmer, I show you a number of sheets joined together, sixteen, marked Complainant's Revised Exhibit No. 18, and ask you if that is the revision to which you referred? A. It is.

Q. What was the purpose of preparing the revision? A. The revised paper was prepared in order to correspond with the figures in the Day and Zimmerman appraisal.

Mr. Miller: I offer Revised Exhibit No. 18 in evidence in substitution of and correction and adjustment of Exhibit No. 18.

The Commissioner: Have you offered Revised Exhibit No. 17?

Mr. Miller: Yes sir.

The Commissioner: Any objection?

Mr. Miles: No sir.

The Commissioner: Revised Exhibits 17 and 18 will be accepted for the record.

*L. C. Bierman—For Complainant—Direct*

*Cross Examination.*

By Mr. Miles:

Q. Mr. Palmer, as I understand it, Complainant's Exhibit No. 18 is revised for the purpose of exhibiting the estimates of reproduction cost new less accrued depreciation of the property described on that exhibit as found by Day and Zimmerman as of November 30, 1936? A. Yes sir.

Q. That is a summary of the reproduction cost new, is it not, as of that date? A. Yes sir.

Q. I ask you whether in your opinion the estimates of reproduction cost shown on that Exhibit 17 revised, and Exhibit 18 revised are reasonable estimates of the reproduction cost of the property listed thereon as of November 30, 1936? A. The unit prices have not been checked with the Day and Zimmerman appraisal.

Q. Have you any opinion as to whether their estimates are reasonable or not? A. I have not without checking.

Q. You have not? A. Not without checking.

Q. But you have accepted them for the purpose of your own exhibit? A. I used them as presented by Day and Zimmerman.

Q. And you made no independent estimates of your own? A. I have not.

---

L. C. BIERMAN, recalled.

*Direct Examination*

By Mr. Miller:

Q. Mr. Bierman, did you submit Complainant's Exhibit No. 21? A. Yes sir.

Q. Will you state briefly what that exhibit shows? A. Exhibit No. 21 showed the recap of Mr. Palmer's exhibit.

*A. C. Bierman—For Complainant—Direct*

Q. Now, in general, Mr. Bierman, what does it show? A. It shows the recap of Mr. Palmer's exhibit, steam generating stations. The balance of the exhibit being the figures shown in the Day and Zimmerman appraisal as of 1934, plus overheads, indirect costs which I placed on those figures.

Q. Have you found it necessary to revise Complainant's Exhibit No. 21 in the light of a later appraisal, by Day and Zimmerman? A. Yes sir.

Q. What is the date of that later appraisal? A. November 30, 1936.

Summary of reproduction cost estimate as of November 30, 1936, from page 1 of report No. 3234—Day and Zimmerman, Inc., with deductions from Accounts 204-215, inclusive, for property used for steam production, property not used or useful, and property used exclusively for York Railways Company, and with adjustments in allowances for indirect costs produced and marked Complainant's Revised Exhibit No. 21, E.E.M., 6/23/37.

By Mr. Miller:

Q. I show you one sheet marked Complainant's Revised Exhibit No. 21, and ask you if that is the revision prepared by you as testified to by you? A. Yes sir.

Q. Will you state briefly what revisions you have made? A. The revisions have been in Accounts 204 to 215, steam generating system.

Q. And why were those revisions made? A. Due to the difference in price levels; due to the difference in appraisals.

Q. Were they based on Mr. Palmer's adjusted figures? A. They were.

Q. Proceed. A. The indirect costs, the percentages are the same as applied formerly. Working capital is changed, based

*L. C. Bierman—For Complainant—Cross*

on the operating expenses as shown in the annual reports for 1936, less accrued depreciation and taxes, that is, the 1½ month period expenses, the materials and supplies as shown in the annual report.

Q. Well, aside from those changes are the figures appearing in Complainant's Revised Exhibit No. 21, taken from the Day and Zimmerman appraisal of November 30, 1936? A. Yes sir.

Mr. Miller: I offer Complainant's Revised Exhibit No. 21 in evidence, Mr. Commissioner.

The Commissioner: Any objection?

Mr. Miles: No sir.

The Commissioner: Revised Exhibit No. 21 will be accepted for the record.

*Cross Examination*

By Mr. Miles:

Q. Mr. Bierman, this preparation of your revised Exhibit No. 21, have you considered any change in price levels since November 30, 1936? A. No, I have not.

Q. In your opinion has there been any increase in unit costs for labor, materials, property accounts shown on this revised Exhibit No. 21 since November 30, 1936? A. There have been.

Q. You think there has been an increase? A. Yes sir.

Q. And to the extent of such increase the estimated cost of reproduction new which is shown on this exhibit should be increased, should it not? A. Yes sir.

Mr. Miller: I will now call Mr. McShea on rate of return.



*R. A. McShea, Jr.—For Complainant—Direct*

R. A. McSHEA, JR., recalled.

*Direct Examination*

Mr. Miller: Prior to presenting testimony of this witness, if the Commission please, I desire to offer in evidence by reference certain pages of the annual reports of the respondent company as filed with the Commission for the 14 years beginning 1923 and ending 1936.

The pages are as follows: for 1923, pages 1 and 2, which are balance sheets; page 10, operating revenues; page 20, income account; page 24, dividends; page 27, classification of consumers.

For the years 1924 to 1933 inclusive, pages 202 to 203, balance sheets; 301, income statement; 305, operating revenues; 321, dividends; 403, classification of consumers.

For the years 1933 to 1936 inclusive: pages 202 to 203, balance sheets; page 301, income statement; page 305, operating account; page 317, dividends; page 402, classification of consumers.

Mr. Miles: No objection.

The Commissioner: It will be received for the record.

Mr. Miller: The last bracket of years should be 1934 to 1936 inclusive.

Mr. Miles: We understand the introduction by reference is permitted for any purpose in the case, and is not confined to rate of return.

Mr. Miller: That is perfectly satisfactory.

By Mr. Miller:

Q. You have already testified on your experience, in this record, since coming with the Public Service Commission in 1926. Will you briefly state what you did prior to coming with

*R. A. McShea, Jr.—For Complainant—Direct*

the Commission? A. From January 31, 1919 to November 21, 1926 I was a member of the Accounting staff of Peat, Marwick, Mitchell and Company—

Mr. Miles: We accept the witness' qualifications as a Public Utility Accountant.

Mr. Miller: I propose to ask Mr. McShea to present an analysis prepared by him of rate of return on various classes of securities of electric companies and other companies. If his qualifications are admitted for that purpose, all right.

Mr. Miles: We accept his qualifications as a Public Utility Accountant.

The Commissioner: Suppose you go on and qualify him.

Mr. Miles: I don't know what it is you propose to offer.

The Commissioner: Let us have it for the record.

The Witness: I was a member of the accounting staff of Peat, Marwick, Mitchell and Company in their Philadelphia office. This is an international firm of Certified and Chartered Accountants, with headquarters in London and New York.

By Mr. Miller:

Q. What were your duties while with that firm? A. The early years, or up to about the early portion of 1923, I was a Junior Accountant and assisted in audits and investigations of manufacturing, mercantile and financial institutions. From 1923 I was a Senior Accountant and had charge of the various audits and investigations to which I was assigned, except in some instances where it was necessary to have a large staff on one assignment, when several senior accountants and juniors were put on the work under a supervising accountant.

*R. A. McShea, Jr.—For Complainant—Direct*

Q. What experience did you have on financial work while in public accounting? A. I assisted in numerous plant examinations and numerous stock brokerage house examinations.

Q. Will you name some of the banks and brokerage houses which you examined? A. The banks were: The Franklin Trust Company, Philadelphia. I was on that about six times; Wilmington Trust Company, Wilmington, Delaware, about four times;

Liberty Title and Trust Company, Philadelphia;  
National Bank of Catasauqua, Catasauqua, Pennsylvania;  
Oxford Bank of Frankford. This bank later became the Franklin Trust Company, or a part of it;

Kingston Bank and Trust Company, Kingston, Penna.;  
Saving Fund Society of Germantown; I was on that about five times;

Citizens' Trust Company, Allentown, Penna.;  
First National Bank, Youngstown, Ohio;  
Dollars Savings Bank, Youngstown, Ohio.  
The brokerage houses were: F. P. Risking Company, Philadelphia;

Laird, Bissel and Meeds, Wilmington, Delaware;  
Toland, Trimble and Company, Philadelphia;  
Redmond and Company, Philadelphia;  
Barclay, Moore and Company, Philadelphia;  
Chandler Brothers and Company, Philadelphia.

Q. Did you have occasion to examine certain of these brokerage houses more than once? A. A great many of them.

Q. What other work did you do in public accounting? A. During the period from 1923 to 1926, I specialized in Federal and State taxes. This work was done each year, principally from January to June. The tax work covered the preparation of returns and special work in connection with claims for abatement and refunds for manufacturing, banking, brokerage and mercantile houses, as well as for individuals, partnerships and estates.

*R. A. McShea, Jr.—For Complainant—Cross*

Q. Have you examined any financial institutions during your employment by the Commission? A. Yes, in 1931 I examined the accounts of the Investment Banking House of Furland, Reuter and Company in New York in connection with the initial financing of Duquesne Gas Corporation. I subsequently testified in the Federal Court of New York on the results of my examination.

Mr. Miller: I propose to have Mr. McShea testify that he has made a study of security yields, money rates and related matters for the purpose of providing information which will enable the Commission to determine the rate of return to be allowed on the fair value of respondent's property.

You may cross examine as to his qualifications.

*Cross Examination*

By Mr. Miles:

Q. Mr. McShea, have you ever had any experience in connection with the operation or financing of public service corporations?

Mr. Miller: Mr. Miles, I am not offering Mr. McShea as an expert on fair return. I am offering him to testify as to the study he has made on security yields, money rates and such matters.

Mr. Miles: I understand that.

By Mr. Miles:

Q. Have you had any experience with respect to the operating or financing of public service corporations? A. Not except what experience I mentioned with the Commission since 1926.

Q. You have never been called upon to participate in nego-

*R. A. McShea, Jr.—For Complainant—Direct*

tiations for the purchase of public utility securities, have you?  
A. I have never negotiated with the bankers or anybody connected with bankers, but I have participated in numerous conferences in connection with the filing of certificates of notification and applications for approval of security issues, conferences between the companies and representatives of the Commission.

Q. That is the certificates that they are required to file with this Commission? A. That is right.

Mr. Miles: That is all.

The Commissioner: Do you accept the witness as to his qualifications?

Mr. Miles: I stated that I accepted his qualifications as a Public Utility Accountant. That is as far as we are willing to go.

The Commissioner: You will not accept his qualifications for the purpose as outlined?

Mr. Miles: I cannot answer that until I hear the qualifications of Mr. McShea. I accepted his qualifications as a Public Utility Accountant.

The Commissioner: You don't object to his qualifications at this time?

Mr. Miles: Not at this time.

By Mr. Miller:

Q. What is the meaning of the words, "fair return"?

Mr. Miles: I object to that very definitely. That is a question of law which the Supreme Court has been arguing about for twenty years.

Mr. Miller: I am asking him to give his definition of the words, "fair return".

Mr. Miles: This definition of rate of return, we object to the form of the question.

*R. A. McShea, Jr.—For Complainant—Direct —*

The Commissioner: Objection overruled; exception noted.

The Witness: Return is in my opinion—

The Commissioner: Fair return, was the question.

The Witness: I am leading up to that, Mr. Commissioner. The return is the amount of revenues remaining after providing for all operating expenses, taxes and depreciation. The fair return is the amount declared by a regulatory authority to be a proper remuneration on the capital employed in the business. This capital is represented by the fair value of the used and useful property.

By Mr. Miller:

Q. Mr. McShea, have you prepared exhibits showing the yields of public utility, industrial, railroad, municipal and government bonds over a period of years? A. I have.

Bond yields as reported by "Survey of Current Business," issued by United States Department of Commerce (3 sheets), produced and marked Complainant's Exhibit No. 32, E. E. M., 6/23/37.

By Mr. Miller:

Q. I show you a tabulation consisting of three sheets marked Exhibit No. 32 and ask whether they were prepared by you? A. They were.

Q. What does that exhibit show? A. Exhibit No. 32, sheets 1 and 2, show average yields on corporate and municipal bonds from 1913 to January, 1937, as reported by "Survey of Current Business," a publication of the United States Department of Commerce.

Q. To what month in 1937? A. January, 1937.

Q. Proceed. A. It also shows yields on United States



*R. A. McShea, Jr.—For Complainant—Direct*

Treasury bonds from 1926 to January, 1937. The foot notes on sheet 2 were taken from page 165 of the 1936 supplement of "Survey of Current Business" in explanation of the manner in which the yields were computed, also by whom they were computed.

Sheets 1 and 2 are self-explanatory and show the monthly average yields during the period covered. It shows that the trend of yields on all issues, including corporate, municipal and government bonds, have been generally lower in the years 1934, 1935 and 1936 than in any of the other years shown by the exhibit. For instance, the monthly average yields on the fifteen public utility issues, as shown by column D, was 4.02 percent in 1936, 4.31 percent in 1935 and 4.62 percent in 1934. These yields are lower than the yields in any year from 1933 back to 1913, except in 1931, when the yield was 4.60 percent. The yields for the forty-five corporate issues consisting of fifteen industries, fifteen public utilities and fifteen railroads, as shown by column B, were 4.27 percent in 1936, 4.62 percent in 1935 and 4.86 percent in 1934. The yields in 1935 and 1936 were lower than the yields in any prior year going back to 1913. The average yields on fifteen municipal issues were 2.68 percent in 1936, 3.16 percent in 1935 and 3.95 percent in 1934. These yields were lower than the yields in any prior year back to 1913, except in 1916 when the average yield was 3.94 percent. The average yield on the United States Treasury Bonds, shown by column H, were 2.47 percent in 1936, 2.70 percent in 1935 and 3.10 percent in 1934. The yields were lower than the yields in any previous year back to 1926.

Q. What is shown by sheet 3 of Commission's Exhibit No. 321 A. Sheet 3 of this exhibit is a statement of yields on 120 corporation bond issues. This information was taken from the weekly issues of the "Commercial and Financial Chronicle," which in turn obtained it from Moody's Investment Service. This sheet shows the trend in bond yields during the five calen-

*R. A. McShea, Jr.—For Complainant—Direct*

dar years from 1932 to 1936, inclusive; for the first three months of 1937 and about three weeks of April, 1937. It will be noted that the yields in 1935, 1936 and 1937 were generally lower than the yields in 1932, 1933 and 1934. The yields on the forty public utility issues, as shown by column E, were below 4 percent in 1936 and to April 23, 1937, except in the first quarter of 1936 when the average yield reached 4.07 percent, and in April, 1937, when it reached 4.04 percent.

Q. Have you made a study of yields on securities issued by Pennsylvania utility corporations during recent years? A. I have.

Statement showing yields to maturity of security issues, approved between July 1, 1933 and May 7, 1937, which were for a term of ten years or more, bore a fixed return in dollars were of a type generally marketable, and were actually sold for cash to non-affiliated interests, produced and marked Complainant's Exhibit No. 33, E.E.M., 6/23/37.

By Mr. Miller:

Q. I show you a statement marked Commission's Exhibit No. 33 and ask if it reflects the result of your study? A. It does.

Q. By whom were the yields shown in this exhibit calculated? A. This exhibit was prepared by securities Examiner Dunlap, who is employed in Commission's Bureau of Accounts, Rates and Statistics. The yields were also calculated by him.

Q. Will you explain the exhibit? A. This exhibit is a statement showing yields to maturity of securities approved by the Commission between July 1, 1933 and May 7, 1937, which were for a period of ten years or more, or had a fixed return in dollars and were of a type generally marketable and were actually sold for cash to non-affiliated interests. The

*R. A. McShea, Jr.—For Complainant—Direct*

exhibit shows the names of the issuing companies, date of Commission approval, date of maturity, coupon rate, public offering price, face amount offered public and yield to maturity. The yields were computed from the interest date nearest to the date of actual sale where date of sale was known; otherwise from interest date nearest to date of Commission approval. The security issues covered by this exhibit met all of the following specifications while all issues approved during the period but not meeting such specifications were excluded:

1. Being for a term of not less than ten years.
2. Having a fixed return in dollars.
3. Being of such type that it can be sold by public offering. Straight mortgages on single pieces of realty were excluded.
4. Having been sold by cash either to the general public or to other investors, such as insurance companies not affiliated with the issuing corporations.

Q. Have you prepared statements showing yield on bonds and preferred stocks of Pennsylvania Electric Utilities based on recent prices? A. I have.

Bond prices and yields Pennsylvania Electric utilities (4 sheets), produced and marked Complainant's Exhibit No. 34, E. M. M., 6/23/37.

By Mr. Miller:

Q. I show you four sheets marked Commission's Exhibit No. 34 and ask if they contain the results of your study? A. They do.

Q. Will you explain Exhibit No. 34? A. Sheets 1 and 2 of this exhibit contain a list of the bonds of Pennsylvania electric utilities, outstanding as of December 31, 1936, for

*R. A. McShea, Jr.—For Complainant—Direct*

nearly all electric companies that had annual gross revenues in excess of \$50,000. These sheets include all of the bonds for which I was able to obtain recent prices. Column A shows the name of the issuing utility and a description of the bonds, column B shows the coupon interest rate, column C the amount outstanding December 31, 1936, column D the maturity dates, column G the most recent price obtainable at the time the exhibit was prepared and column H shows the yield to maturity. Column E shows the sources from which the prices were obtained and column F shows the dates of the various prices. For those bonds which were traded on one of the stock exchanges, I obtained the sale prices for June 10th, where there had been transactions on June 10th. If I was unable to get prices as of June 10th, I attempted to get the prices for the other days in the same week. If I was unable to get actual sale prices during that week, I then obtained bid prices. All of the prices shown here whether sale price or bid price are for some day in that week of June 10th. I may state in four or five instances in which I had considerable difficulty in getting prices, and in those cases I was able to get prices as of February 27th. These prices as of February 27th may not actually be the last, but they were the last I could find.

Q. Will you state what is shown by sheet 3 of Exhibit No. 34? A. Sheet No. 3 of Exhibit 34 contains the same information with respect to preferred stock of Pennsylvania electric utilities. The prices were obtained in the same manner as in the case of the bonds and generally from the same sources. The yields as shown by column H were calculated from the prices indicated in column G.

Q. Did you calculate those yourself? A. They were calculated by someone in Mr. Dunlap's department, security Examiner Dunlap, and of course, I don't say that Mr. Dunlap checked everyone of the calculations made.

*R. A. McShea, Jr.—For Complainant—Direct*

Q. Proceed with sheet 4, Exhibit No. 34? A. Sheet No. 4 is a statement showing financial earnings data for the companies covered by sheets 1, 2 and 3 for the year 1936 as shown by the annual reports. It reflects book values on fixed capital. The capitalization is segregated between bonds, preferred stock and common stock, the interest available for amortization, the interest and amortization requirements, income available for the deferred dividends and the preferred dividend requirements. It also shows the number of times each company earned its interest and preferred dividend requirements.

Q. Have you prepared an exhibit showing New York money rates in recent years? A. I have.

New York money rates from January 1, 1932 to April 23, 1937, produced and marked Complainant's Exhibit No. 35, E. E. M., 6/23/37.

Mr. Miles: We will object to this. I think it is all very competent testimony, but just what is the relevancy of it, Mr. Miller?

Mr. Miller: Why, the courts have held that money market rates have a very substantial bearing on rate of return.

Mr. Miles: As of dates prior to the date of the Commission inquiry?

Mr. Miller: Yes, I take it a picture over a period of years is very relevant.

The Commissioner: Do you object?

Mr. Miles: No sir, we will wait until we see what the exhibit is.

By Mr. Miller:

Q. I show you a statement marked Exhibit No. 35 and ask you if that is the tabulation to which you referred? A. It is.

Q. Will you explain the exhibit? A. Exhibit No. 35 shows

*R. A. McShea, Jr.—For Complainant—Direct*

interest rates in effect during the five years from 1930 to 1936, inclusive, and to April 23, 1937 on call loans, time money and commercial paper, as reported by the "Commercial and Financial Chronicle."

Q. Have you ascertained the interest rates paid by banks on savings accounts in New York during the past ten years? A. I have.

Q. Where did you obtain that information and what was the information? A. From Mr. Doty, Deputy Secretary of Banking of the Commonwealth of Pennsylvania.

Q. Will you state what the rates paid were? A. The rates paid on certificates of deposit during the period from April 1928 to 1933 was  $3\frac{1}{2}$  percent; on savings accounts the rate was 3 percent;

In 1933 the rate on certificates of deposits was 3 percent, and on savings accounts it ranged from  $2\frac{1}{2}$  to 3 percent;

In 1934 the rate on certificates of deposits was 3 percent, and on savings accounts  $2\frac{1}{2}$  percent;

From 1935 to June 21, 1937, the rate on certificates of deposits was  $2\frac{1}{2}$  percent and on savings accounts it was 2 percent.

Mr. Miles: Those several rates are fixed by Government regulation, you know that?

The Witness: I assume that has a little to do with it.

By Mr. Miles:

Q. Are they not fixed by Federal regulation? A. I don't know whether that is true. This covers state banks operating in York, Pennsylvania.

By Mr. Miller:

Q. Have you made a study of earnings applicable to the common stocks of corporations? A. I have.



*R. A. McShea, Jr.—For Complainant—Direct*

Corporation profits, earnings on common stocks arranged according to ratios of earnings to high market prices of common stocks, produced and marked Complainant's Exhibit No. 36, (20 sheets) E.E.M., 6/23/37.

By Mr. Miller:

Q. I show you 20 sheets collectively marked Exhibit No. 36, and ask whether they contain the results of your study? A. They do.

Q. Will you state generally the sources from which you obtained the information contained in Exhibit No. 36? A. This study was divided into three parts; first, I referred to the early 1937 issues of the "Annalist," which is a journal of finance, commerce and economics published weekly by the New York Times Company, from which I ascertain the stock market prices and earnings or losses per share on common stocks of 163 corporations. The details of this study are shown on sheets 5 to 9 of this exhibit. I arranged the companies shown by these sheets according to various types of corporations; for instance, automobile manufacturing companies were placed in one group, shoe companies were put in another group, public utilities were placed in another group and so on. The groupings are identical with those made by the "Annalist," except in two instances; in the automobile group the "Annalist" in reporting the 1936 earnings included Studebaker and Yellow Truck and Coach. I could not set up comparative earnings of these two companies for the entire five year period covered, therefore, I substituted Mack Truck and White Motors. The "Annalist" up to April 9th, did not report the collective earnings of the steam railroads, so I added a group for them consisting of twenty-five of the largest railroads in the country. On sheets 5 to 9 are shown the high and low market prices for each of the five years from 1932 to 1935, the earnings or losses per share and the ratios of the earnings to the market prices.

*R. A. McShea, Jr.—For Complainant—Direct*

In addition, I show the closing market price as of April 3, 1937 and the ratio of the 1936 earnings thereto. The prices and earnings for the period from 1932 to 1935 were taken from "Moody's Investment Manual" and the prices and earnings for 1936 and the closing prices as of April 3, 1937 were taken from the "Annalist" issue of April 9, 1937. The second part of the study, as reflected in detail on sheets 12 to 20, was entirely prepared from the April 9, 1937 issue of the "Annalist." This part of Exhibit No. 36 reflects the 1935 and 1936 earnings per share, the high and low market prices for these two years and the April 3, 1937 closing prices, together with the ratios of earnings to prices for 411 additional corporations, none of which are included on sheets 5 to 9. I made no attempt to classify these 411 corporations according to their respective types.

The third part of this study, as reflected by sheets 10 and 11, of Exhibit No. 36, consisted of preparing copies of tabulations of corporate profits as reported on page 54 of the 1936 supplement and on page 34 of the March, 1937, issue of "Survey of Current Business," publications of the United States Department of Commerce. The data contained on sheet 10 were obtained by the Department of Commerce from the Federal Reserve Bank of New York, and the data on sheet 11 were obtained by the Department from Standard Statistics Company, Incorporated.

Q. Now, will you turn to sheet No. 1, Exhibit No. 36, and explain what that sheet shows? A. Sheet 1, on lines 1 to 13, shows the extent of the earnings of 163 companies from 1932 to 1936, as related to the high market prices of the common stocks of those years and to obtain the closing price as of April 3, 1937.

On lines 14 to 26 are shown the same information for 411 companies for 1935 and 1936, and lines 27 to 39 show the combined figures for 574 companies for 1935 and 1936. This sheet

*R. A. McShea, Jr.—For Complainant—Direct*

was arranged to show the number of companies that had deficits in each year and also to show the number of the companies that had earnings equal to certain percentages of high market prices of the common stocks.

In column A is shown the basis of the classification of the companies; for instance, in column B, for the year 1932, it is shown that 82 of the companies covered had deficits, 6 companies earned between nothing and 1 percent, five companies earned between 1 percent and 2 percent and so on down to the five companies that earned over 10 percent. The earnings of these corporations materially increased during the five-year period. Where 50.9 percent of the companies had deficits in 1932, 9.9 percent had deficits in 1936. By deficits I mean that these companies failed to earn on the common stock. Line 7, sheet 1 shows in column D that 82 percent of the corporations earned less than 6 percent on the high market prices of the common stock in 1932, while in 1936, 71.6 percent earned less than 6 percent, as shown by column P. Based on the closing market price as of April 3, 1937, 56.8 percent earned less than 6 percent. The same information is summarized on sheet 1 for 411 unclassified companies in 1935 and 1936 and for April 3, 1937. The results for the 163 corporations in 1935 and 1936, and the 411 unclassified corporations in the same years are combined on lines 27 to 39, inclusive.

Q. Will you explain sheet No. 2 of the exhibit? A. Sheet No. 2 is identical with sheet No. 1, except that it shows the ratios of earnings to the low market prices for the period covered. Except in 1932 it will be seen that the majority of the companies earned more than 6 percent on the low market prices; and that in 1936, 30.4 percent of all the companies studied earned over 10 percent.

Q. Will you explain sheets 3 and 4? A. Sheets 3 and 4 were prepared for the purpose of ascertaining the ratios of

*R. A. McShea, Jr.—For Complainant—Direct*

earnings to the high and low market prices from the standpoint of an investor having an equal number of shares in each of the common stocks covered by the study. Sheets 3 and 4 do not show weighted averages, but were prepared upon the basis of the earnings per share related to the price of one share of stock in each corporation. For instance, on line 1 of sheets Nos. 3 and 4, there appear asterisks denoting a deficit for the 10 automobile companies in 1935. This is due to the fact that the Auburn Company and White Motors principally had deficits per share in 1935 in excess of the earnings per share of Chrysler, General Motors and others. By taking into account the greater number of outstanding shares of these larger companies, there would probably be total net earnings on the common stocks for the group as a whole. However, assuming an investor to have an equal number of shares in the 574 corporations in 1935 and 1936, the earnings would have averaged 2.42 percent and 4.06 percent respectively on the high market prices, and the 1936 earnings on the April 3, 1937 price would have averaged 4.41 percent. On the low market prices as shown by sheet 4, the average earnings in 1935 and 1936 would have been 4.25 percent and 6.42 percent respectively.

Q. Will you explain sheets 5 to 9 in the exhibit? A. Sheets 5 to 9 show the high and low market prices, the earnings per share and the ratios of the individual earnings to the market prices for the 163 classified corporations.

Q. What is shown by sheets Nos. 12 to 20? A. Sheets 12 to 20 show the high and low market prices, the earnings per share and the ratios of the individual earnings to the market prices for the 411 unclassified corporations.

Q. Explain sheets 10 and 11? A. These sheets contain information copied from the 1936 supplement and March 1937 issue of "Survey of Current Business," relative to corporate profits, sheet No. 10, covering the period from 1928 to 1936 and sheet No. 11 covering 1924 to 1936. At the time sheet

*R. A. McShea, Jr.—For Complainant—Cross*

-10 was prepared, the figures were not reported for the fourth quarter of 1936, except for the railroads. The figures on sheet No. 10 are expressed in millions of dollars and the figures on sheet No. 11 are expressed in index numbers, 1926 being 100.

Mr. Miller: If the Commission please, we offer Exhibits 32 to 36 inclusive in evidence.

Mr. Miles: No objection.

The Commissioner: There being no objection they will be received in the record.

*Cross Examination*

Mr. Miles:

Q. Mr. McShea, referring to Exhibit No. 32, column D as shown on pages 1 and 2, can you state for the record the names of the fifteen public utility companies that comprise that group? A. No sir.

Q. You don't know who the companies were? A. This information came from the source I mentioned. I don't know the names of the companies.

Q. Is it possible to obtain that information? A. It may be; I didn't try.

Mr. Miles: We ask, if Your Honor please, that the Commission obtain that information for us.

The Commissioner: Is it possible, Mr. Miller? Will the witness furnish that information?

Mr. Miller: Yes, Mr. Commissioner, we think it is possible, the figures are put in as taken from an official Federal Government publication, and not as gathered by the witness.

The Commissioner: Let them be accepted with that reservation.

Mr. Miles: I am not suggesting that there is any im-

*R. A. McShea, Jr.—For Complainant—Cross*

propriety in it, but it might be fifteen nationally known companies, the cost of financing would be very much less.

Mr. Miller: We will try to get that information.

By Mr. Miles:

Q. But you don't know the name of any one of these fifteen companies, do you? A. I don't.

Q. Do you think that the size of the particular companies' valuations of their properties and their earnings are subjects that should be considered in determining whether the Edison Company would experience the same cost relative to its financing? A. Understand, Mr. Miles, I am not trying to state from this study that the Edison Company would experience the same cost. I am putting this in merely to show these general trends as reported by the United States Department of Commerce as far back as I could get it, in this case being 1913. Now, as far as the comparison with Edison Light and Power Company is concerned, I know nothing about that.

Q. Therefore, you have no information as to whether the yield shown in column D of Exhibit 32 was in any manner comparable to what it might cost Edison Light and Power Company to attract capital? A. What I understand this exhibit to show is that at the present time, or at least down to the early part of 1937, it would cost Edison Company less than it would have cost several years ago.

Q. Why do you say that when you don't even know the names of the fifteen companies involved? A. I assume the companies selected by the particular agency, in this case Standard Statistics, were at least comparable from their standard or from their viewpoint.

Q. Comparable to what? A. At least they selected comparable companies, or the same group of companies from one year to the next.



*R. A. McShea, Jr.—For Complainant—Cross*

Q. In other words, what you are saying is that you assume that they took the same group or same character of companies in the various years? A. That is right. Assuming from that information that they took fifteen particular companies in any one year, when they dropped a utility, in that case they would select a company that would take rank with the company they dropped.

Q. You say you have no knowledge as to whether any of the companies were comparable to the Edison Light and Power Company? A. That is right.

Q. Taking Exhibit No. 33, Mr. McShea, where you are confining yourself to known corporate entities, Pennsylvania utility corporations in some instances, can you tell us with respect to how many of the bond issues listed on Exhibit No. 33 the payment of the Pennsylvania four mill tax was assumed by the company and how many issues the bondholders are required to pay it? A. Of course, I can find out for you which of the companies assume the four mill tax in Pennsylvania, but in any event in the calculation of the yields that fact was disregarded, the reason for that being that ordinarily we find in most of the cases the bonds are sold or issued to persons or corporations who would not be required to pay the tax in any event, such as banks, insurance companies, persons resident outside of the state of Pennsylvania and so on.

Q. The point is that so far as the companies referred to on Exhibit No. 33 as having issued securities since January 1, 1937— A. 1933.

Q. I am confining my questions now to those that issued security since January 1, 1937, or January 1, 1936, you don't know in which instances the four or five or eight mill tax has been assumed and in which instances it has not, do you? A. Not at this moment.

Q. You agree with me that the question would have a very particular bearing on the cost of money to the issuing com-

# MICROCARD

TRADE MARK 

# 22



MICROCARD<sup>®</sup>  
EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON MICROCARD AND MICROFIGURES  
901 TWENTY-SIXTH STREET, N.W. WASHINGTON, D.C. 20037 PHONE (202) 333-6393

# 318

# 38-66



*R. A. McShea, Jr.—For Complainant—Cross*

pany? A. Yes, it would if the corporation assumed the tax the other cost would be less.

By the Commissioner:

Q. Mr. McShea, could that information be obtained by you for the purpose of the record? A. I believe it could all be obtained.

Q. Will you furnish it for the record? A. Yes.

By Mr. Miles:

Q. Now, Mr. McShea, simply confining myself to Exhibit No. 33, can you give us any information as to the discount that was incurred by the issuing company at the time of the sale of the various securities referred to on the exhibit? To illustrate, have you any knowledge as to what the Scranton Electric Company was compelled to spend in the way of discount at the time it issued and sold certain securities which were approved by the Commission on March 3rd, 1937? A. What do you mean by discount?

Q. I mean did they get par, or did they get 97½, or did they get 96? A. The price the Corporation received?

Q. From the bankers? A. I can't give you any of that information for the 1937 companies, but I can get it for most of the other companies prior to 1937.

Q. Can you give it to us for some of the companies in the latter part of 1936? A. Pennsylvania Power Company, \$6,978,000, they received one hundred.

Q. That was \$6,978,000 issue, is that right? A. The corporation received one hundred, the price at which it was offered to the public. That particular issue was sold—

Q. The company received par for their 3½ percent—what was it, first mortgage bonds? Wasn't it a refunding operation where there was no expense incurred in the sale to banks? A. I will have to find that out for you.

*R. A. McShea, Jr.—For Complainant—Cross*

Q. Do you know who bought the Pennsylvania Power Company bonds? A. I think the issue was purchased by one or two large insurance companies privately. There was no public offering.

Q. Therefore, that would hardly be comparable to any hypothetical financing by Edison Light and Power Company?

A. Of course, conditions might be such that the Edison Light and Power Company may be able to sell privately also.

Q. That is it exactly. Isn't it the particular conditions in each situation that govern and not mere tabulation? A. Particular conditions have a great deal to do with the cost of money.

Q. You would not suggest that the Edison Light and Power Company could attract capital on the basis that Pennsylvania Power Company or Philadelphia Electric Company could? A. I am not attempting to show that. I am just attempting to show what the records show.

Q. Mr. McShea, in the course of your investigation of the issuance of securities by Pennsylvania public utilities, have you had occasion to acquire any knowledge as to whether it costs those companies any substantial sums of money to register such securities under the Securities Act of 1933? A. I have not made a detailed study of it, but I have inquired into one or two cases. I believe the Philadelphia Suburban Water Company, which is on this list—yes, they are on the list at Securities Docket No. 121, and I found that the cost there included the cost of registration with the Securities and Exchange Commission. Now, I think that was the minor part of the cost, but what ratio it was to the total I don't know.

Q. Did you make any inquiries into the cost of registration incurred by the Philadelphia Electric Company? A. No sir.

Q. It is a fact, is it not, that a company issuing securities to be publicly marketed under existing Federal laws is required

*R. A. McShea, Jr.—For Complainant—Cross*

to incur certain substantial expenses that didn't exist until the passage of the Federal Securities Act of 1933? A. I suppose they are substantial, but I made no check of it.

Q. Well, to the extent that they are incurred at all, it would be necessary for them to be reflected in the cost of money to the company? A. It would be a part of the cost of financing, yes sir.

Q. Mr. Keesey called my attention to the fact that on Exhibit No. 33 you have only shown the public offering price. Why didn't it occur to you to include a column which showed the price received by the company? A. Because the yields were computed from the public offering price.

Q. Therefore, it is not yield so far as cost to the issuing company is concerned? A. So far as cost goes to the company and the yield to the public it would be the same.

Q. Now, if the company gets  $97\frac{1}{2}$  and the public pays 102 does your last answer still stand? A. That is what the company gets.

Q. The company receives  $97\frac{1}{2}$  for a given issue of securities which were sold to the public at 101 maturity twenty years thereafter? A. That all depends on what accounts for the difference between the  $97\frac{1}{2}$  and 101. Part of that may be pure discount, and part of it may be cost of brokerage or something of that sort.

Q. The company does not get it in either instance, Mr. McShea, no matter what it is? A. Yes, but the company in a utility proposition it gets the cost of financing as part of the valuation.

Q. And you think the yield is the same in either instance to maturity? A. You mean whether you take  $97\frac{1}{2}$  or 101?

Q. That is right. A. I would say the interest cost is the same.

Q. The interest rate is the same? A. The cost to the company below the amount which the company pays would prob-

*R. A. McShed, Jr.—For Complainant—Cross*

ably be divided into two parts, one, cost of brokerage, the other discount. Now, brokerage would be part of the cost of financing in the fair value of the property and the discount would be part of the interest cost.

Q. Mr. McShea, what was the last date in 1937 that you used for the purpose of showing market quotations for the computation of yields? A. With respect to which exhibit?

Q. Any of them, all of them? A. June 10, 1937.

Q. With respect to what exhibit? A. I believe it was thirty-four—Exhibit 34.

Q. How about Exhibit 36? A. Exhibit 36 has to do with earnings on the common stocks of corporations.

Q. What I am trying to develop, to be quite candid about it, is whether you have made any study of the trend of the utility bond market since March 3, 1937? A. You mean the general trend?

Q. Yes: A. No sir. This work I might explain was general.

Q. Have you any information or any knowledge as to whether the trend of public utility securities, market wise has been upward or downward since 1937? A. The market price of public utilities I believe has been downward.

Q. Definitely? A. I don't know how much.

Q. Most of the companies whose stocks you referred to, the various issues on Exhibit No. 36, are companies whose stocks are listed on one of the larger public exchanges, are they not?

A. There are a few, but I would not say most, Mr. Miles. I found that out when I looked for the prices.

Q. Is that so? A. Yes.

Q. In other words, there are a great many that are not? A. The bid price that I use there, the large majority, was because I could not find the transactions on the various exchanges.

Q. But there are lots of companies' stocks listed on the exchanges? A. Are you talking about stocks now?

Q. Yes, that was my question. A. Well, I would say possibly 40 percent are listed; maybe 35 percent.



*R. A. McShea, Jr.—For Complainant—Cross*

Q. Now, Mr. McShea, these exhibits that have been talked about here, namely 32 to 36 inclusive, were all prepared either by you or under your direction, were they not? A. Yes sir.

Q. I would like you to state to the Commission whether you feel that these exhibits in any manner reflect the cost of money to the Edison Light and Power Company if it were required to attract capital at this time? A. Mr. Miles, I am not testifying here as an expert on rate of return or cost of money, I am testifying merely as to what these various sources of information reflect.

Q. I don't think that answer is responsive.

Mr. Miller: That goes to the purpose for which I presented Mr. McShea, which was not as to rate of return, or what should be allowed to the Edison Company, but simply to show these facts from which the Commission could determine what the rate of return should be.

Mr. Miles: I think I am entitled to an answer.

The Commissioner: I think the question is proper to develop his opinion.

The Witness: Yes, I think these exhibits definitely show and give some information as to what the Edison Company might have to pay for money.

By Mr. Miles:

Q. Have you any opinion as to what Edison Company might have to pay for money under the existing circumstances?

A. No sir.

Q. You have no information as to what it might cost it. You are still of the opinion that these exhibits— A. Would be of assistance to the Commission.

Mr. Miles: That is all.

*R. A. McShea, Jr.—For Complainant—Cross*

By Mr. Miller:

Q. Mr. McShea; just one question: Is bond discount a part of the interest rate of the issue? A. Pure discount, yes, is a part of the interest.

Q. Now, how do you distinguish between pure discount—  
A. I think Mr. Miles and I discussed it, and I think I answered that.

The Commissioner: It was analyzed a minute ago.

Mr. Miller: I just wanted to clear it up if there was any possible misunderstanding.

By Mr. Miller:

Q. Then discount is not the same as brokerage; is it? A.  
No sir.

Mr. Miller: Mr. Commissioner, the Commission rests its case.

Mr. Miles: We have no rebuttal testimony, if Your Honor please.

The Commissioner: Mr. Miles, and your associate counsel and Mr. Miller, I will present the request of counsel for the company to the Commission. In the event that the Commission grants the request, will you be prepared to argue a week from Tuesday?

Mr. Miles: We would be prepared.

Before you adjourn, Mr. Commissioner, there are two things we would like some advice and instruction about. Of course, the rules of the old Commission presumably no longer exist, at least so far as I know they no longer exist, but I suppose the Commission is going to allow us a certain time within which to prepare and file briefs in this case.

The Commissioner: Oh, yes.

Mr. Miles: The Commission is going to set it down in the ordinary course of events.

*Colloquy*

The Commissioner: Certainly.

Mr. Miles: That is a matter to be disposed of later.

The Commissioner: The important question is the question of argument before the full Commission, and you will be advised of that.

Mr. Miles: We have found, which of course, is no reflection upon the very capable reporters, because lawyers sometimes speak indistinctly, that we have a great many inadvertent errors in this record, just as Mr. Miller has found. We have gone over the record and made all of our corrections, and I should like some instruction from the Commissioner as to how those corrections can be inserted.

The Commissioner: Let me suggest that the corrections be submitted to counsel for the Commission, and since Commissioner Stahlnecker of the old Commission sat at the hearings if any of the corrections involve any ruling by the then sitting Commissioner—

Mr. Miles: They are not that sort of corrections, Mr. Commissioner. They are merely corrections of words and figures, things of that sort.

The Commissioner: Let me suggest then that the corrections be submitted to counsel Miller, and if there be agreement by both sides on the corrections, they may be made.

Mr. Miller: We will do the same with our set of corrections, we will submit them to Mr. Miles.

The Commissioner: That is all right.

Mr. Miller: Just to complete the record we would like to have the kilowatt hours purchased by the respondent company from Metropolitan Edison Company and from Pennsylvania Water and Power Company divided between the purchases from these companies.

*Colloquy*

We have it, I believe, for the first six months of 1936, and we would like to have that record carried on for the full year 1936. It relates to the power factor computations.

Mr. Miles: We will furnish it.

Mr. Miller: The only other matter, Mr. Commissioner, is the scope of the argument on July 6th, which as I understand it is to be limited to temporary rates.

The Commissioner: That is the understanding. There was a request made by the sitting Commissioner for the inclusion in the record of work notes on the testimony by one of the witnesses. Has that been done? Was that by you, Mr. Seelye?

Mr. Reed: The work notes were sent to Mr. Miller, and in his hands the following Monday.

Mr. Miles: Let the record show that they were furnished within the time designated.

Mr. Miller: Yes.

The Commissioner: The hearing stands adjourned.

---

hereby certify that the proceedings and evidence are condensed fully and accurately in the notes taken by me during hearing on the above cause before the Pennsylvania Public Utility Commission of the Commonwealth of Pennsylvania, that this copy is a correct transcript of the same.

E. E. MOYER  
Official Reporter

988

[fols. 988-1093a]

## COMMISSION EXHIBIT No. 17 (REVISED)

## Edison Light and Power Company

Summary of reproduction cost estimate as of November 30, 1936, from page 1  
of report No. 3234—Day and Zimmerman, Inc.

Acct. No.	Description	Estimated Cost of Reproduction	
		New	Less Accrued Depreciation
	Undistributed Fixed Capital:		
200	Organization.....	\$68,812	\$68,812
	Steam Generating System:		
204	Land.....	44,137	44,137
207	Structures.....	221,898	214,500
208	Railroad Sidings and Trestles.....	338	321
209	Boiler Plant Equipment.....	338,932	281,827
210	Steam Engines and Turbines.....	82,945	43,869
211	Turbo Generators.....	154,972	126,724
212	Other Electric Generators.....	147,718	85,407
213	Other Electric Equipment.....	277,508	180,380
214	Coal Storage and Weighing Equipment.....	23,714	18,971
215	Other Power Plant Equipment.....	10,510	9,086
	Transmission System:		
237	Land.....	11,485	11,485
239	Rights of Way.....	1,486	1,486
240	Transmission System Structures.....	22,613	22,277
241	Substation Equipment.....	465,883	434,432
242	Poles and Fixtures.....	70,543	63,489
243	Overhead Conductors.....	102,095	96,990
244	Overhead Telephone System.....	841	799
245	Underground Conduits.....	14,302	13,587
246	Underground Conductors.....	8,183	7,774
	Distribution System:		
251	Rights of Way.....	846	846
256	Poles and Fixtures.....	520,559	468,503
257	Overhead Conductors.....	436,446	414,624
258	Overhead Transformers.....	377,355	345,152
259	Overhead Transformer Installations.....	37,281	35,296
260	Overhead Services.....	142,889	135,745
262	Underground Conductors.....	8,283	7,869
266	Meters.....	296,106	281,301
267	Meter Installations.....	25,302	24,543
	Utilization System:		
273	Municipal Street Incandescent System.....	246,318	221,686
274	Other Utilization Equipment.....	34,359	26,529
	General Property:		
275	General Office Land.....	113,625	113,625
276	Other General Land.....	27,350	27,350
278	General Office Structures.....	110,505	93,929
279	Other General Structures.....	62,378	57,595
280	General Office Equipment.....	57,724	50,673
[fols. 1093b-1123]			
281	General Store Equipment.....	3,545	3,062
282	General Shop Equipment.....	8,592	6,942
284	General Garage Equipment.....	52,551	28,903
285	General Laboratory Equipment.....	21,062	18,911
286	General Tools and Implements.....	4,297	3,667



COMMISSION EXHIBIT No. 17 (REVISED)—Continued  
Edison Light and Power Company

Summary of reproduction cost estimate as of November 30, 1936, from page 1  
of report No. 3234—Day and Zimmerman, Inc.

Acct. No.	Description	Estimated Cost of Reproduction	
		New	Less Accrued Depreciation
	Undistributed Construction Expenditures		
288	Engineering and Superintendence during Construction.....	\$206,436	\$181,093
289	General Officers' and Clerks' Salaries during Construction.....	45,875	40,243
290	General Officers' and Clerks' Expenses during Construction.....	34,406	30,182
291	Office Supplies and Expenses during Construction.....	11,469	10,061
292	Law Expenditures during Construction.....	22,937	20,121
293	Injuries and Damages during Construction.....	45,875	40,243
294	Insurance during Construction.....	22,938	20,122
295	Taxes during Construction.....	45,875	40,243
296	Interest during Construction.....	305,526	268,525
...	Discount and Expense (Cost of Financing).....	296,869	260,917
	Total Reproduction Cost—(Exclusive of Working Capital and Going Concern Value).....	<u>\$5,694,494</u>	<u>\$5,004,854</u>

(Here follow 3 photolithographs, side folios 1124-1139, 1140 and 1141)



**SEABOARD LIGHT AND POWER COMPANY**

Summary of reproduction cost estimate as of November 30, 1935,  
from page 1 of report No. 3284 - Day and Zimmerman, Inc.,  
with deductions from Accounts 204-215, inclusive, for property  
used for Steam Production, property not used or useful, and  
property used exclusively for York Railways Company, and with  
adjustments in allowances for Indirect Costs

Account Number	Description	Estimated Cost of Reproduction New	Less Accrued Depreciation
<b>Steam Generating System</b>			
204	Land	\$ 26,961	\$ 26,961
207	Structures	89,380	86,512
208	Railroad Sidings and Trestles	160	160
209	Boiler Plant Equipment	8,297	6,925
210	Steam Engines and Turbines	30,702	16,880
211	Turbo Generators	184,972	136,734
212	Other Electric Generators	67,976	57,070
213	Other Electric Equipment	127,808	127,808
214	Coal Storage and Weighing Equipment	-	-
215	Other Power Plant Equipment	6,480	7,514
	<b>Total Steam Generating System</b>	<b>\$ 505,126</b>	<b>\$ 476,224</b>
<b>Transmission System</b>			
217	Land	\$ 11,468	\$ 11,468
219	Rights of Way	1,488	1,488
220	Transmission System Structures	22,513	22,277
221	Substation Equipment	425,888	424,432
222	Poles and Fittings	70,868	65,480
223	Overhead Conductors	162,886	98,986
224	Overhead Telephone System	861	780
225	Underground Cables	14,382	13,887
226	Underground Conductors	6,185	7,774
	<b>Total Transmission System</b>	<b>\$ 697,221</b>	<b>\$ 622,125</b>
<b>Distribution System</b>			
224	Rights of Way	\$ 848	\$ -
226	Poles and Fittings	620,889	423,808
227	Overhead Conductors	426,446	434,884
228	Overhead Transformers	377,385	344,182
229	Overhead Transformer Installations	57,382	34,236
230	Overhead Services	142,882	124,716
232	Underground Conductors	8,388	7,380
236	Motors	224,106	221,301
237	Motor Installations	26,388	24,843
	<b>Total Distribution System</b>	<b>\$ 1,425,087</b>	<b>\$ 1,171,976</b>
<b>Utilization System</b>			
273	Municipal Street Illumination System	\$ 244,518	\$ 221,886
274	Other Utilization Equipment	24,388	25,880
	<b>Total Utilization System</b>	<b>\$ 268,906</b>	<b>\$ 247,766</b>
<b>General Property</b>			
275	General Office Land	\$ 115,888	\$ 113,486
276	Other General Land	27,880	27,880
278	General Office Structures	110,806	98,889
279	Other General Structures	62,578	57,886
280	General Office Equipment	57,784	50,678
281	General Store Equipment	3,546	3,082
282	General Shop Equipment	8,802	6,942
284	General Garage Equipment	22,861	19,905
285	General Laboratory Equipment	21,082	18,811
286	General Tools and Implements	4,297	3,267
	<b>Total General Property</b>	<b>\$ 441,229</b>	<b>\$ 404,267</b>
	<b>TOTAL DIRECT COSTS</b>	<b>\$3,928,966</b>	<b>\$ 3,498,271</b>
<b>Indirect Costs</b>			
	Preliminary and Organization - 1 1/2%	\$ 58,884	\$ 58,884
	Administration, Legal and Taxes 1 1/2%	58,884	52,414
	Engineering and Supervision - 5%	196,449	174,724
	Sub-Total	<b>\$ 4,314,227</b>	<b>\$ 3,786,022</b>
	Interest During Construction - 6%	<b>994,824</b>	<b>228,830</b>

212	Other Electric Generators	124,972	124,972
213	Other Electric Equipment	27,870	27,870
214	Coal Storage and Weighing Equipment	227,220	227,220
215	Other Power Plant Equipment	-	-
	Total Steam Generating System	379,062	379,062
<b>Transmission System</b>			
227	Right of Way	11,400	11,400
229	Transmission System Structures	1,400	1,400
231	Substation Equipment	22,212	22,212
232	Poles and Pictures	422,222	422,222
233	Overhead Conductors	70,222	70,222
234	Overhead Telephone System	222,222	222,222
235	Underground Conductors	222	222
236	Underground Cables	12,222	12,222
	Total Transmission System	639,658	639,658
<b>Distribution System</b>			
237	Right of Way	-	-
238	Poles and Pictures	222,222	222,222
239	Overhead Conductors	222,222	222,222
240	Overhead Transformers	222,222	222,222
241	Overhead Transformer Installations	22,222	22,222
242	Overhead Services	22,222	22,222
243	Underground Conductors	22,222	22,222
244	Meters	222	222
245	Meter Installations	222,222	222,222
	Total Distribution System	639,658	639,658
<b>Utilization System</b>			
273	Municipal Street Illumination System	222,222	222,222
274	Other Utilization Equipment	22,222	22,222
	Total Utilization System	244,444	244,444
<b>General Property</b>			
275	General Office Land	112,222	112,222
276	Other General Land	27,222	27,222
277	General Office Structures	110,222	110,222
278	Other General Structures	22,222	22,222
279	General Office Equipment	22,222	22,222
280	General Store Equipment	27,222	27,222
281	General Shop Equipment	2,222	2,222
282	General Garage Equipment	2,222	2,222
283	General Laboratory Equipment	22,222	22,222
284	General Tools and Implements	22,222	22,222
	Total General Property	244,444	244,444
<b>TOTAL DIRECT COSTS</b>		<b>\$3,222,222</b>	<b>\$3,222,222</b>
<b>Indirect Costs</b>			
<u>Preliminary and Organization - 1 1/2%</u>			
	Preliminary and Organization - 1 1/2%	22,222	22,222
<u>Administration, Legal and Taxes 1 1/2%</u>			
	Administration, Legal and Taxes 1 1/2%	22,222	22,222
<u>Engineering and Supervision - 5%</u>			
	Engineering and Supervision - 5%	161,111	161,111
	Sub-Total	185,444	185,444
<u>Interest During Construction - 6%</u>			
	Interest During Construction - 6%	222,222	222,222
	Sub-Total	222,222	222,222
<u>Cost of Financing - 3%</u>			
	Cost of Financing - 3%	22,222	22,222
	Sub-Total	22,222	22,222
	Total Direct & Indirect Costs	3,444,444	3,444,444
<u>Working Capital</u>			
	Cash	112,000	112,000
	Material and Supplies	22,000	22,000
	Total	134,000	134,000

1124-1139

**KENDON LIGHT AND POWER COMPANY**  
**STATEMENT OF ESTIMATED ORIGINAL COST OF PROPERTY**  
**AS OF JUNE 30, 1936**

Line No.	At Close of Period Ending In (a)	Not Additions During Period										Totals (j)	The Peoples Elec. Light Co. of Wash. D.C. (k)	Washington Elec. Light & Power Co. (l)	Edison Electric Light Co. (m)	Edison Electric Light Co. (n)	Accumulated Total (o)
		The Peoples Elec. Light Co. of Wash. D.C. (b)	Washington Elec. Light & Power Co. (c)	Edison Electric Light Co. (d)	Edison Electric Light Co. (e)	Edison & Washington Electric Light Company (f)	Edison Light & Power Co. (First) (g)	Edison Light & Power Co. (Second) (h)	Edison Light & Power Co. (Second) (i)								
1	1924	\$4,500.00									\$4,500.00	\$4,500.00					
2	1925	1,200.00									5,700.00	5,700.00					
3	1926	1,200.00									6,900.00	6,900.00					
4	1927	1,200.00									8,100.00	8,100.00					
5	1928	1,200.00									9,300.00	9,300.00					
6	1929	1,200.00									10,500.00	10,500.00					
7	1930	1,200.00									11,700.00	11,700.00					
8	1931	1,200.00									12,900.00	12,900.00					
9	1932	1,200.00									14,100.00	14,100.00					
10	1933	1,200.00									15,300.00	15,300.00					
11	1934	1,200.00									16,500.00	16,500.00					
12	1935	1,200.00									17,700.00	17,700.00					
13	1936	1,200.00									18,900.00	18,900.00					
14	1937	1,200.00									20,100.00	20,100.00					
15	1938	1,200.00									21,300.00	21,300.00					
16	1939	1,200.00									22,500.00	22,500.00					
17	1940	1,200.00									23,700.00	23,700.00					
18	1941	1,200.00									24,900.00	24,900.00					
19	1942	1,200.00									26,100.00	26,100.00					
20	1943	1,200.00									27,300.00	27,300.00					
21	1944	1,200.00									28,500.00	28,500.00					
22	1945	1,200.00									29,700.00	29,700.00					
23	1946	1,200.00									30,900.00	30,900.00					
24	1947	1,200.00									32,100.00	32,100.00					
25	1948	1,200.00									33,300.00	33,300.00					
26	1949	1,200.00									34,500.00	34,500.00					
27	1950	1,200.00									35,700.00	35,700.00					
28	1951	1,200.00									36,900.00	36,900.00					
29	1952	1,200.00									38,100.00	38,100.00					
30	1953	1,200.00									39,300.00	39,300.00					
31	1954	1,200.00									40,500.00	40,500.00					
32	1955	1,200.00									41,700.00	41,700.00					
33	1956	1,200.00									42,900.00	42,900.00					
34	1957	1,200.00									44,100.00	44,100.00					
35	1958	1,200.00									45,300.00	45,300.00					
36	1959	1,200.00									46,500.00	46,500.00					
37	1960	1,200.00									47,700.00	47,700.00					
38	1961	1,200.00									48,900.00	48,900.00					
39	1962	1,200.00									50,100.00	50,100.00					
40	1963	1,200.00									51,300.00	51,300.00					
41	1964	1,200.00									52,500.00	52,500.00					
42	1965	1,200.00									53,700.00	53,700.00					
43	1966	1,200.00									54,900.00	54,900.00					
44	1967	1,200.00									56,100.00	56,100.00					
45	1968	1,200.00									57,300.00	57,300.00					
46	1969	1,200.00									58,500.00	58,500.00					
47	1970	1,200.00									59,700.00	59,700.00					
48	1971	1,200.00									60,900.00	60,900.00					
49	1972	1,200.00									62,100.00	62,100.00					
50	1973	1,200.00									63,300.00	63,300.00					
51	1974	1,200.00									64,500.00	64,500.00					
52	1975	1,200.00									65,700.00	65,700.00					
53	1976	1,200.00									66,900.00	66,900.00					
54	1977	1,200.00									68,100.00	68,100.00					
55	1978	1,200.00									69,300.00	69,300.00					
56	1979	1,200.00									70,500.00	70,500.00					
57	1980	1,200.00									71,700.00	71,700.00					
58	1981	1,200.00									72,900.00	72,900.00					
59	1982	1,200.00									74,100.00	74,100.00					
60	1983	1,200.00									75,300.00	75,300.00					
61	1984	1,200.00									76,500.00	76,500.00					
62	1985	1,200.00									77,700.00	77,700.00					
63	1986	1,200.00									78,900.00	78,900.00					
64	1987	1,200.00									80,100.00	80,100.00					
65	1988	1,200.00									81,300.00	81,300.00					
66	1989	1,200.00									82,500.00	82,500.00					
67	1990	1,200.00									83,700.00	83,700.00					
68	1991	1,200.00									84,900.00	84,900.00					
69	1992	1,200.00									86,100.00	86,100.00					
70	1993	1,200.00									87,300.00	87,300.00					
71	1994	1,200.00									88,500.00	88,500.00					
72	1995	1,200.00									89,700.00	89,700.00					
73	1996	1,200.00									90,900.00	90,900.00					
74	1997	1,200.00									92,100.00	92,100.00					
75	1998	1,200.00									93,300.00	93,300.00					
76	1999	1,200.00									94,500.00	94,500.00					
77	2000	1,200.00									95,700.00	95,700.00					
78	2001	1,200.00									96,900.00	96,900.00					
79	2002	1,200.00									98,100.00	98,100.00					
80	2003	1,200.00									99,300.00	99,300.00					
81	2004	1,200.00									100,500.00	100,500.00					
82	2005	1,200.00									101,700.00	101,700.00					
83	2006	1,200.00															



EXHIBIT NO. 21  
Sheet No. 1

Not Additional During Period					Accumulated Totals to Close of Period								
Edison Light & Power Co. (a)	Edison Light & Power Co. (b)	Edison Light & Power Co. (c)	Edison Light & Power Co. (d)	Edison Light & Power Co. (e)	Totals (f)	Edison Light & Power Co. (g)	Edison Light & Power Co. (h)	Edison Light & Power Co. (i)	Edison Light & Power Co. (j)	Edison Light & Power Co. (k)	Edison Light & Power Co. (l)	Edison Light & Power Co. (m)	Totals (n)
					18 000.00	18 000.00							18 000.00
					55 765.09	55 765.09							55 765.09
					40 070.25	40 070.25							40 070.25
					1 821.71	1 821.71							1 821.71
500.00					7 486.69	7 486.69							7 486.69
50.00					26 811.84	26 811.84							26 811.84
					31 172.84	31 172.84							31 172.84
					8 174.01	8 174.01							8 174.01
					8 000.00	8 000.00							8 000.00
					14 471.35	14 471.35							14 471.35
					17 777.05	17 777.05							17 777.05
					23 777.06	23 777.06							23 777.06
					17 572.19	17 572.19							17 572.19
					16 150.36	16 150.36							16 150.36
					137 076.65	137 076.65							137 076.65
					79 466.97	79 466.97							79 466.97
					47 466.97	47 466.97							47 466.97
					66 660.97	66 660.97							66 660.97
					40 211.51	40 211.51							40 211.51
					12 924.17	12 924.17							12 924.17
					29 841.12	29 841.12							29 841.12
					5 671.33	5 671.33							5 671.33
					21 300.93	21 300.93							21 300.93
					6 351.92	6 351.92							6 351.92
					4 271.10	4 271.10							4 271.10
					4 265.81	4 265.81							4 265.81
					1 851.08	1 851.08							1 851.08
					16 242.98	16 242.98							16 242.98
					919 869.65	919 869.65							919 869.65
					185 867.39	185 867.39							185 867.39
					32 241.4	32 241.4							32 241.4
					1 114 881.24	1 114 881.24							1 114 881.24
					214 855.5	214 855.5							214 855.5
					10 042.05	10 042.05							10 042.05
					41 461.90	41 461.90							41 461.90
					59 269.99	59 269.99							59 269.99
					42 008.10	42 008.10							42 008.10
					25 198.71	25 198.71							25 198.71
					42 431.45	42 431.45							42 431.45
					109 942.85	109 942.85							109 942.85
					47 734.61	47 734.61							47 734.61
					5 181.32	5 181.32							5 181.32
					227 745.51	227 745.51							227 745.51
					114 918.25	114 918.25							114 918.25
					136 146.44	136 146.44							136 146.44
					172 165.05	172 165.05							172 165.05
					206 501.65	206 501.65							206 501.65
					202 297.07	202 297.07							202 297.07
					312 307.47	312 307.47							312 307.47
					946 130.77	946 130.77							946 130.77
					382 079.14	382 079.14							382 079.14
					165 821.59	165 821.59							165 821.59
					121 072.60	121 072.60							121 072.60
					179 953.93	179 953.93							179 953.93
					218 413.93	218 413.93							218 413.93
					67 175.81	67 175.81							67 175.81
					14 281 945.52	14 281 945.52							14 281 945.52
1916 for properties and franchises					701.46								701.46
					84382 647.08								84382 647.08
													701.46
													84382 647.08



# EDISON LIGHT AND POWER COMPANY

EXHIBIT NO. 23

Sheet No. 2

## RECONCILIATION OF UNDEPRECIATED BOOK VALUE OF FIXED CAPITAL WITH ESTIMATED ORIGINAL COST AS OF JUNE 30, 1936

Undepreciated Book Value of Fixed Capital as of  
June 30, 1936, exclusive of Construction Work  
in Progress

\$4,760,481.81

### Deductions:

#### Edison Electric Light Co.:

Amount charged to "Construction" and credited to  
"Dividends" on December 31, 1889 \$ 2,448.24

Excess of purchase price over former book value  
of property acquired from Peoples Electric  
Light Company of York, on April 11, 1894 3,920.85

Amount charged to "Construction" and credited to  
"Edison Electric Light Company Stock", on  
May 31, 1894 9,562.04

Property of Edison Electric Light Co., recorded  
on books of York Light Heat & Power Company on  
July 1, 1899 in excess of the amounts shown by  
the Edison Company's books 80,827.77

Write-up of book value of property on December  
1, 1907; credited to Profit and Loss 1,715,087.02

#### Edison Light and Power Co. (Second):

Excess of amount booked for property of  
Merchants Electric Light Heat and Power Company  
at merger on July 1, 1915 over former book value 173,000.00

Total Deductions 1,984,825.92  
2,775,655.99

### Additions:

#### Edison Electric Light Co.:

Restore amounts credited to "Construction" for  
depreciation amounting to \$19,418.43, in 1896  
and \$24,962.05 in 1898 \$ 44,380.48

Differences between balances in "Construction"  
account before and after opening new books on  
January 1, 1902 and January 1, 1904 amounting  
to \$3,446.43 and \$63,369.30, respectively 66,815.73

Excess of estimated original cost of property  
of Westinghouse Electric Light Heat & Power  
Co., over purchase price, on October 31, 1908 5,869.78

#### Edison Light and Power Co. (First):

Write-down of property account in merger of  
June 1, 1913 1,379,970.19

#### Merchants Electric Light Heat & Power Co.:

Organization Expense erroneously charged to  
Profit and Loss on December 31, 1907 285.86

#### Edison Light and Power Co. (Second):

Writedown of book value on November 30, 1915,  
of property acquired in merger of July 1, 1915, 2,012.42

"Dividends" on December 31, 1899	\$ 2,448.24	
Excess of purchase price over former book value of property acquired from Peoples Electric Light Company of York, on April 11, 1894	3,920.85	
Amount charged to "Construction" and credited to "Edison Electric Light Company Stock", on May 31, 1894	9,562.04	
Property of Edison Electric Light Co., recorded on books of York Light Heat & Power Company on July 1, 1899 in excess of the amounts shown by the Edison Company's books	80,827.77	
Write-up of book value of property on December 1, 1907, credited to Profit and Loss	1,715,067.02	
Edison Light and Power Co. (Second):		
Excess of amount booked for property of Merchants Electric Light Heat and Power Company at merger on July 1, 1915 over former book value	173,000.00	
Total Deductions		<u>1,984,825.92</u> 2,775,655.59

**Additions:**

Edison Electric Light Co.:		
Restore amounts credited to "Construction" for depreciation amounting to \$19,418.43, in 1896 and \$24,962.05 in 1898	\$ 44,380.48	
Differences between balances in "Construction" account before and after opening new books on January 1, 1902 and January 1, 1904 amounting to \$3,445.43 and \$63,369.30, respectively	66,815.73	
Excess of estimated original cost of property of Westinghouse Electric Light Heat & Power Co., over purchase price, on October 31, 1908	5,869.78	
Edison Light and Power Co. (First):		
Write-down of property account in merger of June 1, 1913	2,379,970.19	
Merchants Electric Light Heat & Power Co.:		
Organization Expense erroneously charged to Profit and Loss on December 31, 1907	285.86	
Edison Light and Power Co. (Second):		
Writedown of book value on November 30, 1915, of property acquired in merger of July 1, 1915, from Merchants Electric Light Heat & Power Co.	68,814.44	
Difference between book and appraised value of property sold to York Steam Heating Company on December 31, 1921, retroactive to June 1, 1913	40,855.01	
Total Additions		<u>1,606,991.49</u>

Estimated Original Cost - As of June 30, 1935 exclusive of Construction Work in Progress	<u>\$ 392,647.08</u>
--	----------------------

[fol. 1142]

## COMMISSION'S EXHIBIT 24—SHEET 1

## Edison Light and Power Company

Earnings and Dividend Record of the Peoples Electric Light Company for the Period from May 4, 1886 to October 31, 1893

Line No.	Year Ended First Monday in November (a)	Average Undepreciated Original Cost (b)	6% Return on Undepreciated Original Cost (c)	Income Available for Return (d)	Income in Excess of or Deficient of 6% Return (e)	Dividends Paid	
						Rate (f)	Amount (g)
1	1886(a)	\$18,000	\$1,080		(Figures Not Available)		
2	1887	22,138	1,328				
3	1888	26,275	1,577				
4	1889	38,775	2,327	\$2,117	\$210		
5	1890	52,655	3,159	4,271	1,112	6%	\$3,000
6	1891	55,117	3,307	7,584	4,277	10%	5,000
7	1892	56,678	3,401	4,972	1,571	7%	3,500
8	1893	60,770	3,646	6,625	2,979	6%	3,000
9	1894 Property Sold to Edison Electric Light Company.						

(a) For period from May 4, 1886 to first Monday in November, 1886.

[fol. 1143]

## COMMISSION'S EXHIBIT 24—SHEET 2

## Edison Light &amp; Power Company

Earnings and Dividend Record of Westinghouse Electric Light, Heat &amp; Power Company for the Period from October 14, 1892 to October 31, 1902

Line No.	Year Ended First Monday in November (a)	Average Undepreciated Original Cost (b)	6% Return on Undepreciated Original Cost (c)	Income Available for Return (d)	Income in Excess of or Deficient of 6% Return (e)	Dividends Paid	
						Rate (f)	Amount (g)
1	1893(a)	\$24,465	\$1,468	\$3,055	\$4,503		
2	1894	24,948	1,497	3,871	2,368		
3	1895	25,430	1,526	3,320	1,794	3%	\$753
4	1896	25,525	1,532	2,581	1,049	3%	772
5	1897	26,090	1,565	3,542	1,977	7%	1,852
6	1898	26,516	1,591	4,726	3,135	12%	3,176
7	1899	26,571	1,594	3,812	2,218	8%	2,017
8	1900	28,185	1,691	2,293	602	4%	1,059
9	1901	30,583	1,835	4,718	2,883		
10	1902	31,850	1,911	1,099	3,010		

(a) For period from October 14, 1892 to first Monday in November, 1893.

[fol. 1144]

## COMMISSION'S EXHIBIT 24—SHEET 3

## Edison Light &amp; Power Company.

Earnings and Dividend Record of Edison Electric Light Company for the Period from April 13, 1885 to November 30, 1897

Line No.	Year Ended Nov. 30 (a)	Average Undepreciated Original Cost (b)	6% Return on Undepreciated Original Cost (c)	Income Available for Return (d)	Income in Excess of or Deficient of 6% Return (e)	Dividends Paid	
						Rate (f)	Amount (g)
1	1887(a)	\$47,490	\$7,242	\$5,246	\$1,996	3%	\$830.10
2	1889(b)	55,025	7,153	197	6,956		
3	1890(c)	63,190	3,475	3,867	392		
4	1891	65,788	3,947	6,227	2,280		
5	1892	79,865	4,792	7,849	3,057	3%	1,783.80
6	1893	97,276	5,837	9,497	3,660		
7	1894	137,675	8,261	6,256(d)	2,005	3%	4,402.50
8	1895	176,678	10,601	24,170	13,569	5%	7,337.50
9	1896	186,452	11,187	26,251	15,064	8%	11,740.00
10	1897	200,515	12,030	27,311	15,281	8%	12,737.60

(a) For period from incorporation on April 13, 1885 to November 1, 1887.

(b) For 26 months ended December 31, 1889.

(c) For 11 months ended November 30, 1890.

(d) Does not include six months' income of The Peoples Electric Light Company, the property of which was purchased on April 11, 1894. The minutes of the Board of Directors of the Edison Electric Light Company, held on April 16, 1894, show the operating income of the Peoples Company for an unstated period to have been \$7,680.38. The revenues on this statement were \$13,729.12, as compared with \$23,694.02 for the 12 months ended October 31, 1893.

[fol. 1145]

## COMMISSION'S EXHIBIT 24—SHEET 4

## Edison Light &amp; Power Company

Earnings and Dividend Record of Red Lion Electric Light Company for the Period from May 19, 1890 to October 31, 1900

Line No.	Year Ended First Monday in November (a)	Average Undepreciated Original Cost (b)	6% Return on Undepreciated Original Cost (c)	Income Available for Return (d)	Income in Excess of or Deficient of 6% Return (e)	Dividends Paid	
						Rate (f)	Amount (g)
1	1891(a)	\$950	\$57				
2	1892	978	59				
3	1893	1,005	60				
4	1894	1,005	60				
5	1895	1,005	60				
6	1896	2,328	140				
7	1897	3,875	233	\$387	\$154		
8	1898	4,100	246	588	342	5%	\$205
9	1899	4,100	246	651	405	5%	205
10	1900	4,100	246	616	370	5%	205

Figures  
Not  
Available

(a) For period from May 19, 1890 to first Monday in November, 1891.

pls. 1146-1147]

## COMMISSION'S EXHIBIT 24—SHEET 5

## Edison Light and Power Company

Earnings and Dividend Record of Merchants Electric Light, Heat & Power Company for the Period from December 14, 1900 to December 31, 1910

Line No.	Year Ended Dec. 31 (a)	Average Undepreciated Original Cost (b)	6% Return on Undepreciated Original Cost (c)	Income Available for Return (d)	Income in Excess of or Deficient of 6% Return (e)	Dividends Paid (f)
1	1901(a)	\$41,321	\$1,292		\$1,292	
2	1902	57,012	3,421	\$1,727(b)	1,694	
3	1903	85,368	5,122	1,605	3,517	
4	1904	102,937	6,176	10,640	4,464	
5	1905	113,269	6,796	12,835	6,039	
6	1906	125,158	7,509	6,534	975	None
7	1907	146,540	8,792	15,398	6,606	
8	1908	164,297	9,857	9,576	281	
9	1909	177,783	10,667	15,114	4,447	
10	1910	191,610	11,497	24,027	12,530	

(a) From date of incorporation, Dec. 14, 1900 to Dec. 31, 1901. Actual construction appears to have been begun on or about July 1, 1901.

(b) Includes expenses for year 1901, amounting to \$839.46.

## EDISON LIGHT AND POWER COMPANY

**DETAILS OF COMPUTATION OF ESTIMATED ORIGINAL COST OF PROPERTY  
OF THE PEOPLES ELECTRIC LIGHT COMPANY FOR THE PERIOD  
FROM MAY 4, 1896 TO APRIL 11, 1894**

Year Ended the First Monday in November		Net Additions During Year	Amount	Balance at End of Year
Line No.	(a)	Description and Source of Information (b)	Col. (b), Exh. 23 (c)	Column (k), Exhibit 23 (d)
1	1896 (a)	Estimated Value of Property as Given in Application for Letters Patent Granted on May 4, 1896	\$18,000.00	\$18,000.00
2	1897	Increase in Paid-In Capital Stock from \$18,725 to \$25,000, as Reported in Capital Stock Tax Return	8,275.00	26,275.00
3	1898	None		26,275.00
4	1899	Increase in Paid-In Capital Stock from \$25,000 to \$50,000, as Reported in Capital Stock Tax Return	25,000.00	51,275.00
5	1900	One-third of \$7,622.68, representing Net Difference Between \$51,275 shown on line 4 above, and Value of Property (\$52,562.48) as reflected by Balance Sheet in Minutes of Edison Electric Light Company on April 16, 1894, less amount of Betterments (\$3,624.56) during year 1893, shown on Capital Stock Tax Return	2,560.98	53,835.98
6	1901	Same as line 5 above	2,560.97	56,396.95
7	1902	Same as line 5 above	2,560.97	58,957.92
8	1903	Amount of "Betterments" shown on Capital Stock Tax Return	3,624.56	62,582.48
9	1904	Total Machinery and Construction set forth on Balance Sheet of Peoples Company as taken from Minutes of 4-16-94 of Edison Electric Light Company (b)		\$62,582.48

(a) As of May 4, 1896.

(b) Balance Sheet of Peoples Electric Light Company as of April 11, 1894, as reflected by Minutes of Edison Electric Light Company:

Assets	
Machinery	\$61,830.00
Construction	<u>10,752.48</u>
Total	<u>\$72,582.48</u>
Liabilities	
Capital Stock	\$50,000.00
Undivided Profits	<u>12,582.48</u>
Total	<u>\$62,582.48</u>



## EDISON LIGHT AND POWER COMPANY

DETAILS OF COMPUTATION OF ESTIMATED ORIGINAL COST OF PROPERTY  
OF WESTINGHOUSE ELECTRIC LIGHT, HEAT & POWER COMPANY FOR THE  
PERIOD FROM OCTOBER 14, 1892 TO OCTOBER 31, 1908

Line No.	Year Ended the First Monday in November (a)	Description and Source of Information (b)	Amount	Balance at
			Col. (c), Exh. 23 (c)	End of Year Column (1) Exhibit 23 (d)
1	1895 (a)	Paid-In Capital Stock as reported in Capital Stock Tax Return	\$24,465.00	\$24,465.00
2	1896	Increase in Paid-In Capital Stock as reported in Capital Stock Tax Return	985.00	25,450.00
3	1898	None		25,450.00
4	1898	Increase in Paid-In Capital Stock as reported in Capital Stock Tax Return	290.00	25,740.00
5	1899	Increase in Paid-In Capital Stock as reported in Capital Stock Tax Return	740.00	26,480.00
6	1899	Amount of "Retirements" listed under Expenditures in Capital Stock Tax Return	110.98	26,570.98
7	1899	None		26,570.98
8	1900 (b)	Net Additions as reflected on books of York Light, Heat & Power Co.	3,227.33	29,798.31
9	1901 (c)	Net Additions as reflected on books of York Light, Heat & Power Co.	2,533.53	32,331.84
10	1902	None		32,331.84
11	1903 (d)	Credits to Plant Account per books of Westinghouse Company	117.66	32,214.78
12	1904-1908	None		<u>32,214.78</u>
13		Total shown on Line 25, Column (c), Exhibit 23	<u>32,214.78 (e)</u>	

(a) For period from October 14, 1892 to First Monday in November, 1893.

(b) For period from First Monday in November, 1893 to June 30, 1900.

(c) For period from July 1, 1900 to December 31, 1901.

(d) For year ended December 31, 1903.

(e) The Edison Company recorded the purchase of the Westinghouse property at a cost of \$25,345, or \$8,986.78 less than the original cost herein estimated at \$32,214.78.

## WINDSOR LIGHT AND POWER COMPANY

DETAILS OF COMPUTATION OF ESTIMATED ORIGINAL COST OF PROPERTY  
OF RED LION ELECTRIC LIGHT COMPANY FOR THE PERIOD  
FROM MAY 19, 1890 TO APRIL 1, 1905

Line No.	Year Ended the First Monday in November (a)	Description and Source of Information (b)	Net Additions During Year		Balance at End of Year	
			Amount Col. (e), Exh. 23 (c)		Column (n), Exhibit 23 (d)	
1	1891 (a)	Amount of Paid-In Capital Stock shown on Capital Stock Tax Return	\$ 950.00		\$ 950.00	
2	1892	Increase in Paid-In Capital Stock shown on Capital Stock Tax Return	55.00		1,005.00	
3	1893-1896	None			1,005.00	
4	1896	Difference Between Paid-In Capital Shown on Line 3, and Amount of \$3,650 Reflected in Capital Stock Tax Return as "Real Estate and Buildings"	2,645.00		3,650.00	
5	1897	Excess of Paid-In Capital Stock at Close of Year over Value Shown on Line 4 - From Capital Stock Tax Return	450.00		4,100.00	
6	1898-1901	None			4,100.00	
7	1902	Increase in Paid-In Capital Stock Shown on Capital Stock Tax Return	7,350.00		11,450.00	
8	1903-1904	None			11,450.00	
9	1905	Red Lion Electric Light Co., together with three non-operating companies was merged into a new corporation entitled York & Windsor Electric Light Company. In the agreement of merger and consolidation dated April 1, 1905, the paid-in capital stock of the Red Lion Company was shown as \$11,850, or \$400 more than the amount shown by the 1904 Capital Stock Tax Report	400.00		\$11,850.00	
Total Shown on Line 22, Column (e), Exhibit 23			\$11,850.00			

(a) For Period from May 19, 1890 to First Monday in November, 1891.

## YORK &amp; WINDESS LIGHT AND POWER COMPANY

**DETAILS OF COMPOSITION OF ESTIMATED ORIGINAL COST OF PROPERTY  
OF YORK & WINDESS ELECTRIC LIGHT COMPANY FOR THE PERIOD  
FROM APRIL 1, 1906 TO MAY 31, 1913.**

Line No.	Year Ended the First Monday in November	Description and Source of Information	Net Additions During Year	Balance at
			Amount Col. (f), Exh. 23 (e)	End of Year Column (c), Exhibit 23 (d)
1	1906	Company formed by merger of Red Lion Electric Light Company and three non-operating companies. Assuming that non-operating companies had no physical property, the initial original cost of property of the York & Windess Company is estimated at the final estimate of original cost set up for the Red Lion Company	\$11,680.00	\$11,680.00
2	1906	Amount of bonds appearing to have been issued during year. The books of this company reflect an entry dated May 31, 1913, by which bondholders owing \$600 principal amount of bonds were credited with the principal of \$600, premium of \$45, and accrued interest for \$315, or a total of \$1,350. The \$315 for interest appears to cover the seven years from 1906 to 1913. Thus, it was concluded that the \$60,000 of bonds were issued in 1906	60,000.00	71,680.00
3	1907-1910	None		71,680.00
4	1911	Amount of Deductions reflected by Capital Stock Tax Return	1,801.76	73,151.76
5	1912	Difference between amount of \$73,151.76 shown on Line 4 above, and amount of \$79,475.00 reflected on books opened by York & Windess Company on October 1, 1912	6,323.24	79,475.00
6	1913	Net additions reflected on books of company	<u>440.51</u>	<u>\$79,915.51</u>
7		Total shown on Line 31, Column (f), Exhibit 23	<u>\$79,915.51</u>	

EXHIBIT NO. 27Sheet No. 1

## MILSON LIGHT AND POWER COMPANY

STATEMENT OF INCOME AVAILABLE FOR RETURN, OF THE PEOPLES ELECTRIC LIGHT COMPANY  
AS REFLECTED IN CAPITAL STOCK TAX RETURNS AND AS ADJUSTED,  
FOR THE FISCAL YEARS ENDED THE FIRST MONDAY IN NOVEMBER,  
FROM 1886 TO 1893, INCLUSIVE

Line No.		1886 (a)	1890 (b)	1891 (c)	1892 (d)	1893 (e)
	<b>For Capital Stock Tax Returns:</b>					
1	Gross Earnings	\$16 402.29	\$14 256.91	\$20 396.50	\$15 334.61	\$23 664.02
2	Expenditures Operations	6 371.37(a)	9 985.86(a)	12 814.71(a)	10 362.75(a)	17 069.40
3	Settlements					3 624.56
4	Totals	6 371.37	9 985.86	12 814.71	10 362.75	20 694.02
5	Net Earnings	8 116.92	4 271.05	7 581.79	4 971.86	3 000.00
6	Adjustments: To eliminate amount of "Settlements" considered as Plant Additions					3 624.56
7	Income Available for Return, as Shown on Exhibit 24, Sheet 1, Column (d)	8 116.92	4 271.05	7 581.79	4 971.86	6 624.56

Note--Capital Stock Tax returns were filed for the years 1886, 1887 and 1888,  
but no details were given therein regarding earnings.

(a) The Capital Stock Tax Returns reflect only the Gross and Net Earnings in  
these four periods, the amounts shown for "Operations" therein, repre-  
senting the differences between the Gross and Net Earnings.

## EDISON LIGHT AND POWER COMPANY

STATEMENT OF INCOME AVAILABLE FOR RETURN, OF WESTINGHOUSE ELECTRIC LIGHT, HEAT & POWER COMPANY  
AS REFLECTED IN CAPITAL STOCK TAX RETURNS AND AS ADJUSTED, FOR THE FISCAL YEARS ENDED  
THE FIRST MONTH IN NOVEMBER FROM 1893 TO 1902, INCLUSIVE

Line No.		1893 (a)	1894 (b)	1895 (c)	1896 (d)	1897 (e)	1898 (f)	1899 (g)	1900 (h)	1901 (i)	1902 (j)
	<u>For Capital Stock Tax Returns:</u>										
	<u>Gross Earnings:</u>										
1	From Operations	\$3 241.04	\$10 183.55	\$11 949.44	\$11 758.03	\$14 153.88	\$15 088.14	\$15 266.80	\$12 741.30	\$8 934.15	\$3 374.65
2	Rentals							32.00			47.25
3	Interest						74.99	105.97			
4	Other Sources								21.50		
5	Totals	3 241.04	10 183.55	11 949.44	11 758.03	14 153.88	15 163.13	15 404.77	12 762.80	8 934.15	3 421.90
	<u>Expenditures:</u>										
6	Operation	6 276.16	11 054.19	6 625.35	7 976.99	9 171.54	8 553.46	8 970.53	7 748.84	2 519.72	3 341.78
7	Maintenance of Equipment						1 108.25	1 316.44	2 088.96		65.14
8	Maintenance of Way							238.67	101.00	59.19	
9	Taxes				480.00	720.00	700.00	581.05			429.47
10	Expenses of Management				720.00	720.00		370.71		1 637.66	664.61
11	Betterments						110.98	2 031.18		2 965.59	
12	Interest	94.10	123.09								
13	Totals	6 370.26	11 177.28	8 629.35	9 176.99	10 611.54	10 472.69	13 518.48	10 448.80	7 180.16	4 521.00
14	Net Earnings	3 129.22	993.73	3 320.11	2 581.04	3 542.34	4 690.44	1 866.29	2 314.00	1 753.97	1 099.10
	<u>Adjustments:</u>										
15	Elimination of "Betterments" Considered as Plant Additions						110.98	2 031.18		2 965.59	
16	Elimination of Earnings From "Other Sources"								21.50		
17	Elimination of Interest Received						74.99	105.97			
18	Elimination of Interest Paid	94.10	123.09								
19	Net Adjustments	94.10	123.09				35.99	1 925.21	21.50	2 965.59	
20	Income available for return as shown on Exhibit 24, Sheet 2, Column (d)	\$3 035.12	\$ 870.64	\$ 3 320.11	\$ 2 581.04	\$ 3 542.34	\$ 4 726.43	\$ 3 211.50	\$ 2 292.50	\$4 717.56	\$1 099.10

(a) Not shown on return--Total Gross Earnings of \$11,949.44 only amount shown.

(b) Not shown on return--Represents difference between gross and net earnings.

(c) Return shows net earnings of \$4,084.57, but details on return result in net earnings of only \$1,753.97.



## EDISON LIGHT AND POWER COMPANY

**STATEMENT OF INCOME AVAILABLE FOR RETURN OF EDISON ELECTRIC LIGHT COMPANY  
AS REFLECTED ON THE COMPANY'S BOOKS AND AS ADJUSTED,  
FOR THE PERIOD FROM APRIL 15, 1886 TO NOVEMBER 30, 1897**

Line No.		Apr. 15, 1886 to Nov. 1, 1887 (a)	Nov. 1, 1887 to Dec. 31, 1889 (b)	Jan. 1, 1890 to Nov. 30, 1890 (c)	Year Ended November			
					1891 (d)	1892 (e)	1893 (f)	1894 (g)
1	<u>Per Books:</u> Earnings	\$26 712.71	\$29 053.26	\$21 849.06	\$30 178.10	\$32 380.22	\$37 054.94	\$37 086.79
2	<u>Expenses:</u> Expenses	24 297.09	28 346.25	5 112.10	9 081.30	6 045.58	5 331.03	7 275.73
3	Discount, Interest, Taxes and Insurance		5 060.87					
4	Labor			4 977.41	5 573.08	5 881.11	6 086.82	9 630.69
5	Insurance and Taxes			235.82	782.51	1 129.06	1 413.29	1 503.71
6	Interest			1 740.54	2 332.32	1 867.09	2 010.55	1 566.67
7	Freight			4 440.30	4 225.26	3 657.95	4 109.38	5 644.21
8	Coal			2 233.40	1 539.51	3 348.98	3 210.81	2 988.70
9	Lamps			982.85	2 750.06	2 215.12	2 245.25	1 459.13
10	Repairs					1 156.75	1 325.10	1 472.60
11	Dynamos and Motors					476.46	1 345.36	87.96
12	Fixtures					225.36	238.08	562.93
13	Fans					595.93	254.41	241.05
14	Total Expenses	24 297.09	43 397.12	19 722.42	26 283.90	26 505.37	29 546.08	32 397.23
15	Net Earnings	4 415.62	4 343.86	2 126.64	3 894.20	5 881.85	7 498.86	4 689.56
16	<u>Adjustments:</u> 3% Dividend paid on \$27,070 of Capital Stock on 7/1/86, as disclosed by Capital Stock Tax Return, and assumed to be included in "Expenses", Line 2, as it does not appear elsewhere in the accounts		830.10					
17	Elimination of estimated amount of Discount and Interest included in the amount of \$5,060.87, shown on Line 3. The amount remaining, namely, \$509.60 was intended to represent the probable tax and insurance expense, as calculated for 26 months ended Dec. 31, 1889, from the actual expense of \$235.82, during the eleven months ended November 30, 1890, as shown by Line 5 above. Such a calculation ( $26/11 \times \$235.82$ ) would amount to \$507.39. Due to an arithmetical error, the amount came to \$509.60. Thus, the income available for return, as shown by Line 19, should be reduced to \$150.96							
	Elimination of Interest Expense			1 740.54	2 332.32	1 867.09	2 010.55	1 566.67
	Adjusted Income Available for Return as shown on Exhibit 24, Sheet 3, Column (d)	\$ 5 245.72	\$ 197.41	\$ 3 867.18	\$ 6 226.52	\$ 7 848.94	\$ 9 497.41	\$ 6 256.23



# EDISON LIGHT AND POWER COMPANY

## STATEMENT OF INCOME AVAILABLE FOR RETURN OF EDISON ELECTRIC LIGHT COMPANY AS REFLECTED ON THE COMPANY'S BOOKS AND AS ADJUSTED, FOR THE PERIOD FROM APRIL 13, 1885 TO NOVEMBER 30, 1897

	Apr. 13, 1885 to Nov. 1, 1887 (a)	Nov. 1, 1887 to Dec. 31, 1889 (b)	Jan. 1, 1890 to Nov. 30, 1890 (c)	Year Ended November 30,						
				1891 (d)	1892 (e)	1893 (f)	1894 (g)	1895 (h)	1896 (i)	1897 (j)
	\$36 712.71	\$39 053.26	\$21 849.06	\$30 178.10	\$32 380.22	\$37 054.94	\$37 084.79	\$54 825.07	\$69 414.48	\$66 219.41
and Insurance	24 297.09	38 346.25 5 080.87	5 112.10	9 081.80	6 045.56	5 331.03	7 278.72	6 576.43	11 874.77	16 974.95
			4 977.41	5 873.05	5 841.11	8 086.82	9 630.88	9 537.22	5 734.15	
			235.82	782.51	1 129.06	1 413.29	1 503.71	2 249.48	3 691.88	2 984.36
			1 740.54	2 332.32	1 867.09	2 010.55	1 566.67	2 849.14	1 925.95	1 916.66
			4 440.30	4 225.26	3 687.95	4 109.38	5 644.21	6 224.24	6 384.99	5 091.91
			2 233.40	1 539.51	3 346.98	3 210.81	2 988.70	2 342.50	2 544.23	2 717.84
			982.85	2 780.05	2 215.12	2 265.26	1 459.15	1 368.99	1 274.49	1 846.68
					1 159.73	1 323.10	1 472.60	1 006.51	1 168.38	2 025.62
					476.46	1 345.36	88.95	184.36	112.80	
					225.58	236.08	552.95	660.30	12.41	10.25
					593.93	254.41	241.05	22.75	249.22	
	24 297.09	43 397.12	19 722.42	26 283.90	26 898.37	29 546.08	32 397.25	35 893.81	35 089.27	33 525.01
	4 416.62	4 343.86	2 126.84	3 694.20	5 981.85	7 486.86	4 689.54	21 321.26	24 325.21	25 394.49
f Capital Stock on 7/1/85, k Tax Return, and assumed Line 2, as it does not units	630.10									
st of Discount and nt of \$5,060.87, shown on s, namely, \$509.60 was butable tax and insurance 5 months ended Dec. 31, of \$235.82, during the 30, 1890, as shown by tion (26/11 X \$235.82). to an arithmetical error. Thus, the income avail- Line 19, should be		4 541.27								
			1 740.54	2 332.32	1 867.09	2 010.55	1 566.67	2 849.14	1 925.95	1 916.66
le for Return as shown on column (d)	\$ 5 245.72	\$ 197.41	\$ 3 667.18	\$ 6 226.52	\$ 7 848.94	\$ 9 497.41	\$ 6 256.21	\$24 170.40	\$26 251.16	\$27 311.06

EXHIBIT NO. \_\_\_\_\_

Sheet No. 4

## NELSON LIGHT AND POWER COMPANY

STATEMENT OF INCOME AVAILABLE FOR RETURN OF NED LION ELECTRIC LIGHT COMPANY  
AS REFLECTED IN CAPITAL STOCK TAX RETURNS AND AS ADJUSTED,  
FOR THE FISCAL YEARS ENDING THE FIRST MONDAY IN NOVEMBER,  
FROM 1897 TO 1900, INCLUSIVE

Line No.		1897 (a)	1898 (b)	1899 (c)	1900 (d)
	<b>For Capital Stock Tax Returns:</b>				
1	Gross Dividends	\$1 337.05	\$1 460.00	\$1 580.00	\$1 522.55
	<b>Expenditures:</b>				
2	Operation	940.00	852.00	929.00	907.00
3	Dividends (b)		205.00	205.00	205.00
4	Totals	940.00	1 057.00 (c)	1 134.00	1 112.00
5	Net Earnings	397.05	368.00	446.00	410.55
	<b>Adjustments:</b>				
6	Elimination of Dividends		205.00	205.00	205.00
7	Income available for return as shown on Exhibit 24, Sheet 4, Column (d)	\$ 397.05	\$ 568.00	\$ 651.00	\$ 615.55

Note-No details given on Tax Returns For Years from 1891 to 1896, Inclusive

(a) Details add to \$1,007.

(b) Designated as "Interest on Debt" on Income Statements of Tax Reports, but as "Dividends" in space provided for reporting dividends. Amounts of \$205 were equal to 5% on \$4,100 of Issued Capital Stock.

**STERN, SEITZ AND JONES COMPANY**

STATEMENT OF INCOME AVAILABLE FOR RETURN OF MERCHANTS RECEIVING LIGHT, HEAT & POWER CHARGES  
AS REFLECTED ON THE COMPANY'S BOOKS AND AS ADJUSTED FOR THE PERIOD  
FROM DECEMBER 14, 1940 TO DECEMBER 31, 1940

[illegible]





**STATEMENT SHOWING DISCOUNT, BROKERAGE OR UNDERWRITING COMMISSION, AND MECHANICAL EXPENSE, ON ALL SECURITY ISSUES APPROVED BY COMMISSION TO NOVEMBER 15, 1936, WHICH WERE PROPOSED TO BE DISTRIBUTED ULTIMATELY TO THE GENERAL PUBLIC**

No.	Name of Company	Type	Type of Security	Amount Sold	Commission (%)		Discount (%)
					Brokerage	Underwriting	
7	Lehigh Water Company	Water	1st Mtg. 6's	100,000	0	0	0
14	The United Telephone Company of Pa.	Tel.	1st Mtg. S.P. 5's	280,800	3.5	0	1.5
25	Quakertown Water Company	Water	1st Ref. Mtg. 5's	55,000	0	0	0
33	Suburban Water Company of Allegheny County	Water	1st Mtg. S.P. 6's	80,000		( 10.5 )	
59	Buffalo Valley Telephone Company	Tel.	1st Mtg. 5's	90,000	0	0	0
60	Pennsylvania Electric Company	Elec.	1st & Ref. Mtg. 5's	1,158,000	3	0	9
61	Singer Steam Heat Company	Stm. Ht.	1st Mtg. 6's	20,000	0	0	0
61	Pennsylvania Water & Power Company	Elec.	\$5. Cum. Pref Stock-No Par	17,644 Shs.	\$2.25	0	0
62 & 65	Beaver Valley Water Company	Water	1st Lien & Ref. Mtg. 5's	870,000	5	0	5.5
102	The Plainfield Water Company	Water	1st Mtg. 5's	10,000	0	0	0
114	Metropolitan Edison Company	Elec.	1st Mtg. Series G, 4's	11,710,900	0	2.5	2.5
116	Duquesne Light Company	Elec.	1st Mtg. 3-1/2's	70,000,000	0	2	.5
119	Pennsylvania Water Company	Water	1st Mtg. 4's	2,238,000	0	2.5	0
120	Eric County Electric Company	Elec.	Gen. Mtg. 3-1/2's	400,000	0	0	0
121	Philadelphia Suburban Water Company	Water	1st Mtg. 4's	16,900,000	0	2.5	.5
122	Allentown Bethlehem Gas Company	Gas	1st Mtg. 3-3/4% Series	2,500,000	0.5	0	0
124	Pennsylvania Telephone Corp.	Tel.	1st Mtg. 4% Series	5,200,000	3	0	0
139	Peoples Telephone Corp.	Tel.	1st Mtg. 4's Series A	800,000	0	3	0
142	West Penn Power Company	Elec.	1st Mtg. Series I 3-1/2's	27,000,000	0	2	.5
145	Tioga County Bell Telephone Company	Tel.	1st Mtg. 4's	100,000	0	3	0
161	Towanda Water Works	Water	1st & Ref. Mtg. 4's	185,000	0	0	0
	Payette City Water Company	Water	1st Mtg. 6% Gold Bonds, Series A	18,000	0	0	0
	Harrisburg Suburban Water Company	Water	1st Mtg. 5's	65,000	0	1.5	0
	Ashland Gas Light Company	Gas	1st Mtg. 5's	20,000	0	0	0
	Suburban Water Co. of Allegheny County	Water	1st Mtg. S.P. 4's, Series B	125,000	0	0	0
	Buffalo Valley Water Company	Water	1st Mtg. 4's, Series B	1,500,000	0	3	1
				2,975,000	0	2.5	not determined

DISCOUNT, BROKERAGE OR UNDERWRITING COMMISSION, AND MECHANICAL EXPENSE, ON ALL SECURITY ISSUES APPROVED BY THE COMMISSION TO NOVEMBER 15, 1966, WHICH WERE PROPOSED TO BE DISTRIBUTED ULTIMATELY TO THE GENERAL PUBLIC

	Type	Type of Security	Amount Sold	Commission (%) Brokerage Underwriting	Discount (%)	Mechanical Expense %	Remarks
of Pa.	Water	1st Mtg. 6's	100,000	0	0	0	Not given
	Tel.	1st Mtg. S.F. 5's	280,800	3.5	0	1.5	Not given
	Water	1st Ref. Mtg. 5's	55,000	0	0	0	Not given \$40,000 exchanged for maturing bonds par for par. \$15,000 sold for each at par
Lehigh County	Water	1st Mtg. S.F. 6's	60,000	(	10.5	)	Not given Sold to investment bankers Commission and discount not registered
Company	Tel.	1st Mtg. 5's	90,000	0	0	0	Not given
	Elec.	1st & Ref. Mtg. 5's	1,158,000	5	0	9	Not given
	Stm. Bv	1st Mtg. 6's	80,000	0	0	0	Not given
Company	Elec.	\$5. Cum. Pref Stock-No Par	17,644 Shs.	\$2.25	0	0	Not given Sold to public at \$99.50 per share
	Water	1st Lien & Ref. Mtg. 5's	870,000	5	0	5.5	Not given
	Water	1st Mtg. 5's	10,000	0	0	0	Not given
	Elec.	1st Mtg. Series O, 4's	11,710,900	0	2.5	2.5	Not given
	Elec.	1st Mtg. 3-1/2's	70,000,000	0	2	.5	0.4
	Water	1st Mtg. 4's	2,238,000	0	2.5	0	Not given If the securities sell above par bankers agree to refund to the company all in excess of 2.5 commission not on par
Company	Elec.	Gen. Mtg. 3-1/2's	400,000	0	0	2.7	Not given
	Water	1st Mtg. 4's	18,900,000	0	2.5	.5	Not given Bankers agree to buy at 99% net to company and will take 2.5 commission and refund to the company all over 100.5
Company	Gas	1st Mtg. 3-3/4% Series	2,500,000	0.5	0	0	0.6
sp.	Tel.	1st Mtg. 4% Series	5,200,000	3	0	0	0.7
	Tel.	1st Mtg. 4's Series A	800,000	0	3	0	1.2
	Elec.	1st Mtg. Series I 3-1/2's	27,000,000	0	2	3	0.5
Company	Tel.	1st Mtg. 4's	100,000	0	3	0	Not Given
	Water	1st & Ref. Mtg. 4's	185,000	0	0	0	Not given Exchanged for bonds of issue being retired par for par or sold for cash at par
	Water	1st Mtg. 6% Gold Bonds, Series A	18,000	0	0	0	Not given Exchanged for an equal face amount of notes payable
Company	Water	1st Mtg. 5's	66,000	0	1.5	0	1.5
	Gas	1st Mtg. 5's	20,000	0	0	0	Not given Exchanged for an equal face amount of notes payable
Lehigh County	Water	1st Mtg. S.F. 4's, Series B	125,000	0	0	0	3.0
Company	Water	1st Mtg. 4's, Series B	1,500,000	0	3	1	1.5



No.	Name of Company	Type	Type of Security	Amount Sold	Commission (%)		Discount (%)	Mechanical Expense
					Brokerage	Underwriting		
7	Lehigh Water Company	Water	1st Mtg. 6's	100,000	0	0	0	Not yet
14	The United Telephone Company of Pa.	Tel.	1st Mtg. S.F. 5's	280,800	3.5	0	1.5	Not yet
25	Quakertown Water Company	Water	1st Ref. Mtg. 5's	55,000	0	0	0	Not yet
32	Suburban Water Company of Allegheny County	Water	1st Mtg. S.F. 5's	80,000	(	10.5	)	Not yet
39	Buffalo Valley Telephone Company	Tel.	1st Mtg. 5's	80,000	0	0	0	Not yet
40	Pennsylvania Electric Company	Elec.	1st & Ref. Mtg. 5's	1,158,000	5	0	9	Not yet
41	Essex Steam Heat Company	Stm. Ht	1st Mtg. 6's	20,000	0	0	0	Not yet
41	Pennsylvania Water & Power Company	Elec.	\$5. Cum. Pref 2,000,000 Par	17,644	Shs. \$2.25	0	0	Not yet
41 & 45	Beaver Valley Water Company	Water	1st Lien & Ref. Mtg. 5's	870,000	5	0	5.5	Not yet
108	The Plainfield Water Company	Water	1st Mtg. 5's	10,000	0	0	0	Not yet
114	Metropolitan Edison Company	Elec.	1st Mtg. Series G, 4's	11,710,900	0	2.5	*2.5	Not yet
116	Duquesne Light Company	Elec.	1st Mtg. 3-1/2's	70,000,000	0	2	.5	Not yet
119	Pennsylvania Water Company	Water	1st Mtg. 4's	2,238,000	0	2.5	0	Not yet
120	Erie County Electric Company	Elec.	Gen. Mtg. 3-1/2's	400,000	0	0	0	Not yet
121	Philadelphia Suburban Water Company	Water	1st Mtg. 4's	18,900,000	0	2.5	*.5	Not yet
122	Allentown Bethlehem Gas Company	Gas	1st Mtg. 3-3/4% Series	2,500,000	0.5	0	0	Not yet
124	Pennsylvania Telephone Corp.	Tel.	1st Mtg. 4% Series	5,200,000	3	0	0	Not yet
153	Peoples Telephone Corp.	Tel.	1st Mtg. 4's Series A	800,000	0	3	0	Not yet
142	West Penn Power Company	Elec.	1st Mtg. Series I 3-1/2's	27,000,000	0	2	*.5	Not yet
145	Tioga County Bell Telephone Company	Tel.	1st Mtg. 4's	100,000	0	3	0	Not yet
161	Towanda Water Works	Water	1st & Ref. Mtg. 4's	188,000	0	0	0	Not yet
	Fayette City Water Company	Water	1st Mtg. 6% Gold Bonds, Series A	18,000	0	0	0	Not yet
	Harrisburg Suburban Water Company	Water	1st Mtg. 5's	68,000	0	1.5	0	Not yet
	Ashland Gas Light Company	Gas	1st Mtg. 5's	20,000	0	0	0	Not yet
	Suburban Water Co. of Allegheny County	Water	1st Mtg. S.F. 4's, Series B	125,000	0	0	0	Not yet
	Shenango Valley Water Company	Water	1st Mtg. 4's, Series B	1,500,000	0	3	1	Not yet
	Pennsylvania Power Company	Elec.	1st Mtg. Bonds (4's)	8,978,000	0	2.5	not determin- able	Not yet
	Minersville Water Company	Water	1st Mtg. Series A, 4's	120,000	0	2	"	Not yet

opposed but not yet approved, or approved but not yet issued.  
 unum (%)

Type of Security	Amount Sold	Commission (%)		Discount (%)	Mechanical Expense %	Remarks
		Brokerage	Underwriting			
1st Mtg. 4's	100,000	0	0	0	Not given	
1st Mtg. S.F. 5's	280,800	3.5	0	1.5	Not given	
1st Ref. Mtg. 5's	55,000	0	0	0	Not given	\$40,000 exchanged for maturing bonds par for par. (\$15,000 sold for each at par
1st Mtg. S.F. 6's	90,000		( 10.5 )		Not given	Sold to investment bankers Commission and discount not registered
1st Mtg. 5's	90,000	0	0	0	Not given	
1st & Ref. Mtg. 5's	1,158,000	3	0	0	Not given	
1st Mtg. 6's	20,000	0	0	0	Not given	
25. Cum. Pref Stock-No Par	17,644 Shs.	\$2.25	0	0	Not given	
1st Lien & Ref. Mtg. 5's	670,000	5	0	5.5	Not given	Sold to public at \$69.80 per share
1st Mtg. 5's	10,000	0	0	0	Not given	
1st Mtg. Series G, 4's	11,710,900	0	2.5	*2.5	Not given	
1st Mtg. 3-1/2's	70,000,000	0	2	.5	0.4	
1st Mtg. 4's	2,238,000	0	2.5	0	Not given	If the securities sell above par bankers agree to refund to the company all in excess of 2.5 commission not on par
Gen. Mtg. 3-1/2's	400,000	0	0	0	2.7	
1st Mtg. 4's	18,900,000	0	2.5	*.5	Not given	Bankers agree to buy at 98% net to company and will take 2.5 commission and refund to the company all over 100.5
1st Mtg. 3-3/4% Series	2,500,000	0.5	0	0	0.6	
1st Mtg. 4% Series	5,200,000	3	0	0	0.7	If the securities sell above par, bankers agree to refund to the company all in excess of 3% commission
1st Mtg. 4's Series A	800,000	0	3	0	1.2	
1st Mtg. Series I 3-1/2's	27,000,000	0	2	*3	0.5	
1st Mtg. 4's	100,000	0	3	0	Not Given	
1st & Ref. Mtg. 4's	188,000	0	0	0	Not given	Exchanged for bonds of issue being retired par for par or sold for cash at par
1st Mtg. 6% Gold Bonds. Series A	18,000	0	0	0	Not given	Exchanged for an equal face amount of notes payable
1st Mtg. 5's	88,000	0	1.5	0	1.5	
1st Mtg. 5's	20,000	0	0	0	Not given	Exchanged for an equal face amount of notes payable
1st Mtg. S.F. 4's, Series B	125,000	0	0	0	3.0	
1st Mtg. 4's, Series B	1,500,000	0	3	1	1.8	
1st Mtg. Bonds (4's)	8,978,000	0	2.5	not determin-	Not given	
1st Mtg. Series A, 4's	120,000	0	2	" "	Not given	

## BOND YIELDS

EXHIBIT NO. 32

Sheet 1 of 3

AS REPORTED BY "SURVEY OF CURRENT BUSINESS"  
ISSUED BY UNITED STATES DEPARTMENT OF COMMERCE

No.	Year and Month (a)	Standard Statistics(1)					Bond Buyer(2) Domestic Municipals(2) (g)	U. S. Treasury Bonds(3) (h)
		Combined (b)	Industrials (c)	Public Utilities (d)	Railroads (e)	Municipals (f)		
	No. of Issues	45	15	15	15	15	20	
	Monthly Averages:							
1	1913	\$4.78	\$4.97	\$4.74	\$4.42	\$4.22	\$4.45	\$
2	1914	4.75	4.95	4.67	4.46	4.12	4.15	
3	1915	4.83	4.97	4.86	4.64	4.18	4.23	
4	1916	4.73	4.89	4.77	4.49	3.94	4.06	
5	1917	4.99	5.09	5.02	4.75	4.20	4.31	
6	1918	5.47	5.45	5.76	5.20	4.56	4.59	
7	1919	5.51	5.40	5.64	5.29	4.46	4.50	
8	1920	6.18	6.01	6.75	5.79	4.68	5.04	
9	1921	6.05	5.96	6.26	5.97	5.09	5.02	
10	1922	5.19	5.21	5.44	4.68	4.25	4.21	
11	1923	5.22	5.26	5.41	4.68	4.25	4.27	
12	1924	5.07	5.21	5.22	4.78	4.20	4.21	
13	1925	4.98	5.06	5.06	4.67	4.09	4.13	
14	1926	4.77	4.91	4.90	4.51	4.08	4.14	3.42
15	1927	4.65	4.65	4.78	4.31	3.98	3.79	3.34
16	1928	4.43	4.66	4.66	4.34	4.06	4.08	3.33
17	1929	4.64	5.06	4.66	4.60	4.27	4.22	3.60
18	1930	4.66	4.95	4.65	4.52	4.07	4.12	3.26
19	1931	4.91	5.51	4.60	4.61	4.01	4.07	3.31
20	1932:							
21	January	6.04	7.11	5.34	5.70	4.92	4.24	4.32
22	February	6.00	6.98	5.49	5.76	5.03	4.06	4.11
23	March	5.90	6.79	5.30	5.60	4.79	4.78	3.91
24	April	6.23	7.33	5.80	6.18	4.73	4.77	3.64
25	May	6.04	6.36	5.65	5.67	4.77	4.94	3.71
26	June	7.25	9.17	6.77	6.25	4.61	5.09	3.73
27	July	6.97	8.67	5.66	6.60	4.73	4.82	3.55
28	August	5.64	6.95	5.22	5.64	4.50	4.55	3.42
29	September	5.68	6.91	5.06	5.36	4.35	4.57	3.39
30	October	5.89	6.91	5.11	5.43	4.37	4.59	3.39
31	November	6.10	7.32	5.14	5.62	4.35	4.65	3.59
32	December	6.21	7.38	5.66	6.19	4.37	4.51	3.51
33	Monthly Average	5.27	7.46	5.36	5.99	4.55	4.77	3.66
34	1933:							
35	January	6.04	7.22	4.91	5.53	4.27	4.46	3.10
36	February	6.21	7.60	5.11	5.93	4.26	4.92	3.29
37	March	6.71	8.14	5.54	6.45	4.36	5.24	3.44
38	April	5.62	6.27	5.25	6.56	5.05	5.52	3.43
39	May	5.94	6.94	5.26	6.63	5.27	5.36	3.31
40	June	5.39	6.39	5.06	6.34	4.71	5.06	3.22
41	July	5.33	6.16	4.86	4.97	4.50	5.00	3.20
42	August	5.31	6.14	4.84	4.96	4.54	4.96	3.21
43	September	5.51	6.30	5.01	5.26	4.59	4.94	3.20
44	October	5.65	6.49	5.12	5.39	4.60	5.01	3.22
45	November	6.00	6.73	5.41	5.66	4.69	5.32	3.46
46	December	5.69	6.66	5.40	5.54	4.89	5.46	3.53
47	Monthly Average	5.62	6.95	5.18	5.65	4.71	5.14	3.31



# BOND YIELDS

EXHIBIT NO. 32

Sheet 2 of 3

AS REPORTED BY "SURVEY OF CURRENT BUSINESS"  
ISSUED BY UNITED STATES DEPARTMENT OF COMMERCE

Line No.	Year and Month (a)	Standard Statistics(1)					Bond Buyer(2) Domestic Municipals(c)	U S Treasury Bonds(3)
		Combined (b)	Industrials (c)	Public Utilities (d)	Railroads (e)	Municipals (f)		
	No. of Issues	45	15	15	15	15		
1	1934:							
2	January	2.44	2.17	2.08	2.07	2.47	2.47	2.34
3	February	2.44	2.17	2.08	2.07	2.47	2.47	2.32
4	March	2.41	2.14	2.05	2.04	2.44	2.44	2.31
5	April	2.39	2.12	2.03	2.02	2.42	2.42	2.30
6	May	2.39	2.12	2.03	2.02	2.42	2.42	2.30
7	June	2.39	2.12	2.03	2.02	2.42	2.42	2.30
8	July	2.39	2.12	2.03	2.02	2.42	2.42	2.30
9	August	2.39	2.12	2.03	2.02	2.42	2.42	2.30
10	September	2.39	2.12	2.03	2.02	2.42	2.42	2.30
11	October	2.39	2.12	2.03	2.02	2.42	2.42	2.30
12	November	2.39	2.12	2.03	2.02	2.42	2.42	2.30
13	December	2.39	2.12	2.03	2.02	2.42	2.42	2.30
14	Monthly Average	2.39	2.12	2.03	2.02	2.42	2.42	2.30
15	1935:							
16	January	2.41	2.14	2.05	2.04	2.44	2.44	2.31
17	February	2.41	2.14	2.05	2.04	2.44	2.44	2.31
18	March	2.39	2.12	2.03	2.02	2.42	2.42	2.30
19	April	2.39	2.12	2.03	2.02	2.42	2.42	2.30
20	May	2.39	2.12	2.03	2.02	2.42	2.42	2.30
21	June	2.39	2.12	2.03	2.02	2.42	2.42	2.30
22	July	2.39	2.12	2.03	2.02	2.42	2.42	2.30
23	August	2.39	2.12	2.03	2.02	2.42	2.42	2.30
24	September	2.39	2.12	2.03	2.02	2.42	2.42	2.30
25	October	2.39	2.12	2.03	2.02	2.42	2.42	2.30
26	November	2.39	2.12	2.03	2.02	2.42	2.42	2.30
27	December	2.39	2.12	2.03	2.02	2.42	2.42	2.30
28	Monthly Average	2.39	2.12	2.03	2.02	2.42	2.42	2.30
29	1936:							
30	January	2.34	2.07	1.98	1.97	2.37	2.37	2.24
31	February	2.34	2.07	1.98	1.97	2.37	2.37	2.24
32	March	2.34	2.07	1.98	1.97	2.37	2.37	2.24
33	April	2.34	2.07	1.98	1.97	2.37	2.37	2.24
34	May	2.34	2.07	1.98	1.97	2.37	2.37	2.24
35	June	2.34	2.07	1.98	1.97	2.37	2.37	2.24
36	July	2.34	2.07	1.98	1.97	2.37	2.37	2.24
37	August	2.34	2.07	1.98	1.97	2.37	2.37	2.24
38	September	2.34	2.07	1.98	1.97	2.37	2.37	2.24
39	October	2.34	2.07	1.98	1.97	2.37	2.37	2.24
40	November	2.34	2.07	1.98	1.97	2.37	2.37	2.24
41	December	2.34	2.07	1.98	1.97	2.37	2.37	2.24
42	Monthly Average	2.34	2.07	1.98	1.97	2.37	2.37	2.24
43	1937:							
44	January	2.16	1.89	1.80	1.79	2.20	2.20	2.07

N. B. Yields from 1913 to 1936, inclusive taken from page 32 of 1936 Supplement of "Survey of Current Business." Yields for 1934 and January 1937, taken from page 26 of March, 1937 issue of "Survey of Current Business."

(1) "The yield on 45 corporate bonds is computed by Standard Statistics Inc., and is an arithmetic average of the yield to maturity of the same bonds that are included in the index of bond prices shown on the preceding page. It is based on the mean of the monthly high and low prices. Beginning 1929, the indexes have been computed weekly, the monthly index consisting of an average of the 4 or 5 weekly indexes (Wednesday prices) for the month."

(2) "Compiled by The Daily Bond Buyer and represents an average yield obtained by averaging the market values expressed in 'basis' of the bonds of 20 large cities as of the first of each month. However as stated here, the figures are used to represent the condition as of the end of the preceding month; that is, the July 1 figure would be given for June."

Line No.	Year and Month (a)	Standard Statistics(1)					Bond Buyer(2) Domestic Municipals(2)	U S Treasury Bonds(3)
		Combined (b)	Industrials (c)	Public Utilities (d)	Railroads (e)	Municipals (f)		
	No. of Issues	65	18	15	15	15		
<b>1934</b>								
1	January	\$2.44	\$2.17	\$2.08	\$2.07	\$2.07	\$2.09	\$2.24
2	February	2.34	2.10	1.98	1.95	1.98	1.94	2.32
3	March	2.31	2.01	1.93	1.92	1.94	1.94	2.21
4	April	2.29	2.00	1.89	1.90	1.91	1.87	2.12
5	May	2.29	2.00	1.87	1.87	1.88	1.87	2.01
6	June	2.28	2.02	1.81	1.80	1.79	1.81	2.04
7	July	2.28	2.20	1.87	1.87	1.79	1.80	2.09
8	August	2.29	2.12	1.87	1.88	1.81	1.83	2.24
9	September	2.29	2.22	1.84	1.88	1.84	1.81	2.20
10	October	2.27	2.00	1.84	1.85	1.80	1.84	2.08
11	November	2.28	2.00	1.85	1.88	1.87	1.89	2.06
12	December	2.28	2.01	1.87	1.88	1.82	1.81	2.07
13	Monthly Average	2.28	2.20	1.87	1.88	1.79	1.81	2.10
<b>1935</b>								
14	January	2.31	2.12	1.84	1.83	1.82	1.81	2.12
15	February	2.28	2.10	1.81	1.72	1.79	1.75	2.10
16	March	2.28	2.10	1.84	1.80	1.87	1.87	2.04
17	April	2.28	2.12	1.81	1.80	1.85	1.79	2.04
18	May	2.27	2.00	1.84	1.80	1.87	1.80	2.01
19	June	2.28	2.22	1.84	1.82	1.82	1.81	2.01
20	July	2.28	2.22	1.83	1.81	1.80	1.80	2.04
21	August	2.28	2.24	1.83	1.80	1.87	1.84	2.06
22	September	2.27	2.24	1.80	1.80	1.80	1.81	2.08
23	October	2.28	2.21	1.81	1.82	1.80	1.84	2.12
24	November	2.27	2.22	1.81	1.82	1.80	1.82	2.12
25	December	2.28	2.24	1.81	1.87	1.87	1.82	2.12
26	Monthly Average	2.28	2.21	1.81	1.80	1.80	1.80	2.10
<b>1936</b>								
27	January	2.24	2.07	1.80	1.82	1.80	1.81	2.00
28	February	2.20	2.07	1.84	1.82	1.84	1.84	2.04
29	March	2.24	2.22	1.80	1.87	1.80	1.80	2.04
30	April	2.20	2.22	1.80	1.80	1.75	1.81	2.01
31	May	2.24	2.22	1.81	1.80	1.75	1.80	2.00
32	June	2.24	2.22	1.80	1.84	1.78	1.80	2.00
33	July	2.20	2.22	1.80	1.80	1.79	1.80	2.00
34	August	2.22	2.22	1.80	1.80	1.80	1.81	2.04
35	September	2.24	2.20	1.80	1.80	1.80	1.80	2.04
36	October	2.21	2.20	1.80	1.84	1.80	1.80	2.04
37	November	2.22	2.22	1.80	1.82	1.80	1.80	2.04
38	December	2.22	2.20	1.80	1.84	1.81	1.82	2.04
39	Monthly Average	2.22	2.22	1.80	1.82	1.80	1.80	2.04
<b>1937</b>								
40	January	2.18	2.20	1.80	1.80	1.80	1.80	2.04

N. B. Yields from 1913 to 1936, inclusive, taken from page 62 of 1936 Supplement of "Survey of Current Business." Yields for 1936 and January 1937, taken from page 26 of March, 1937 issue of "Survey of Current Business."

(1) "The yield on 45 corporate bonds is computed by Standard Statistics Inc., and is an arithmetic average of the yield to maturity of the same bonds that are included in the index of bond prices shown on the preceding page. It is based on the mean of the monthly high and low prices. Beginning 1936, the indexes have been computed weekly, the monthly index consisting of an average of the 4 or 5 weekly indexes (Wednesday prices) for the month."

(2) "Compiled by The Daily Bond Buyer and represents an average yield obtained by averaging the market values expressed in 'basis' of the bonds of 20 large cities as of the first of each month. However as stated here, the figures are used to represent the condition as of the end of the preceding month; that is, the July 1 figure would be given for June."

(3) "Compiled by U. S. Treasury Department. Represents yields of all outstanding issues of Treasury bonds except those due or callable within 5 years."

**BOND YIELDS BASED ON INDIVIDUAL CLOSING PRICES  
OF 120 DOMESTIC CORPORATIONS  
(40 RAILROADS, 40 PUBLIC UTILITIES AND 40 INDUSTRIALS)  
FROM JANUARY 1, 1932 TO APRIL 23, 1937**

Line No.	Year (a)	Period (Quarters*) (b)	All Companies (c)	40 Railroads (d)	40 Public Utilities (e)	40 Industrials (f)
1	1932	First	55.43 - 7.26	56.78 - 7.93	55.85 - 6.47	56.56 - 7.65
2		Second	7.19 - 8.85	7.77 - 10.10	6.42 - 7.54	6.80 - 7.95
3		Third	6.00 - 8.06	6.81 - 9.18	5.81 - 7.27	5.89 - 7.73
4		Fourth	6.09 - 6.38	6.70 - 7.50	5.87 - 5.91	5.76 - 5.96
5	1933	First	5.89 - 6.70	6.41 - 7.22	5.48 - 6.54	5.60 - 6.35
6		Second	5.80 - 6.72	5.50 - 7.11	5.80 - 6.96	5.00 - 6.22
7		Third	5.30 - 6.70	5.25 - 5.69	5.75 - 6.5	4.81 - 5.01
8		Fourth	5.36 - 6.19	5.34 - 6.46	6.27 - 7.04	4.85 - 5.10
9	1934	First	4.96 - 5.81	4.85 - 5.74	5.43 - 6.74	4.60 - 4.94
10		Second	4.79 - 4.95	4.75 - 4.84	5.22 - 6.40	4.39 - 4.50
11		Third	4.75 - 5.10	4.72 - 5.26	5.17 - 5.48	4.33 - 4.54
12		Fourth	4.79 - 4.98	4.84 - 5.07	5.14 - 5.27	4.36 - 4.51
13	1935	First	4.68 - 4.79	4.72 - 5.36	4.65 - 5.10	4.25 - 4.36
14		Second	4.55 - 4.74	4.88 - 5.22	4.44 - 4.68	4.20 - 4.32
15		Third	4.51 - 4.56	4.90 - 5.02	4.39 - 4.44	4.25 - 4.27
16		Fourth(a)	4.46 - 4.54	4.74 - 5.00	4.34 - 4.43	4.14 - 4.22
17	1936	First	3.98 - 4.12	4.25 - 4.63	3.97 - 4.07	3.85 - 3.97
18		Second	3.95 - 4.01	4.33 - 4.46	3.81 - 3.99	3.88 - 3.89
19		Third	3.78 - 3.93	4.06 - 4.36	3.82 - 3.88	3.44 - 3.54
20		Fourth	3.65 - 3.77	3.95 - 4.04	3.67 - 3.82	3.35 - 3.44
21	1937	January	3.64 - 3.71	3.92 - 4.01	3.66 - 3.72	3.34 - 3.40
22		February	3.71 - 3.80	4.00 - 4.09	3.71 - 3.81	3.41 - 3.52
23		March	3.78 - 3.86	4.08 - 4.27	3.78 - 3.99	3.47 - 3.63
24		April(b)	3.93 - 4.05	4.23 - 4.35	3.94 - 4.04	3.62 - 3.70

N. B. Computed by Moody's and reported in Commercial and Financial Chronicle.

\* Except 1937

(a) Includes period to Nov. 8, 1935; yields for remainder of quarter not being available

(b) To April 23



## PENNSYLVANIA PUBLIC UTILITY COMMISSION


STATEMENT SHOWING YIELDS TO MATURITY OF SECURITY ISSUES,  
APPROVED BETWEEN JULY 1, 1933 AND MAY 7, 1937, WHICH WERE  
FOR A TERM OF TEN YEARS OR MORE, BORE A FIXED RETURN IN DOLLARS,  
WERE OF A TYPE GENERALLY MARKETABLE, AND WERE ACTUALLY SOLD FOR CASH  
TO NON-AFFILIATED INTERESTS.

*Discovered  
Valuation  
Tax assumed*

Securities Docket No.	Name of Company	Date of Sale or Commission Approval	Date of Maturity	Coupon Rate %	Public Offering Price	Fees Amount Offered to Public	Yield to Maturity
<b>Bonds:</b>							
7	Lehigh Water Company	7-1-33	7-1-47	6	100	100,000	6.0000
16	United Telephone Company of Pennsylvania	7-1-33	1-1-44	92	30,500	5.4978	
32	The Suburban Water Co. of Allegheny Co.	11-1-33	11-1-48	6	89	60,000	7.1537
23	Quakertown Water Company	12-1-33	12-1-63	5	100	44,000	5.0000
46	Hamilton Water Company	5-1-34	11-1-49	6	100	5,000	6.0000
61	Bangor Steam Heat Company	9-1-34	9-1-49	6	100	20,000	6.0000
59	Buffalo Valley Telephone Company	10-1-34	10-1-54	5	100	90,000	5.0000
77	The Trout Run Water Company	1-1-35	1-1-55	4	100	5,000	4.0000
102	The Plainfield Water Company	3-1-35	9-1-50	5	100	10,000	5.0000
93	Beaver Valley Water Company	4-1-35	5-1-60	5	94	100,000	5.4051
62	Beaver Valley Water Company	5-1-35	5-1-60	5	94	770,000	5.4061
116	Duquesne Light Company	6-1-35	6-1-65	3	101	70,000,000	5.4157
16	United Telephone Company of Pennsylvania	7-1-35	1-1-65	5	95	260,500	5.3383
121	Philadelphia Suburban Water Company	9-1-35	9-1-65	4	101	16,000,000	3.9146
122	Allentown-Bethlehem Gas Company	9-1-35	9-1-65	3	100	2,500,000	3.7500
120	Erie County Electric Company	10-1-35	10-1-50	3	100	400,000	3.5000
124	Pennsylvania Telephone Corporation	10-21-35	10-1-65	4	101	5,200,000	3.9429
114	Metropolitan Edison Company	11-29-35	5-1-65	4	102	11,710,900	3.8574
138	The Peoples Telephone Corporation	12-23-35	12-1-60	4	100	800,000	4.0000
145	Tioga County Ball Telephone Company	1-1-36	1-1-66	4	100	100,000	4.0000
142	West Penn Power Company	1-31-36	1-1-66	3	103	27,000,000	3.3409
176	Harrisburg Suburban Water Company	5-1-36	5-1-66	5	100	66,000	5.0000
161	Towanda Water Works	5-1-36	11-1-65	4	100	25,000	4.0000
163	Perkasie Water Supply Company	6-1-36	6-1-66	4	100	80,000	4.0000
167	The Suburban Water Co. of Allegheny Co.	9-1-36	9-1-56	4	100	125,000	4.0000
201	Minersville Water Company	11-1-36	11-1-61	4	100	120,000	4.0000
197	Shenango Valley Water Company	11-30-36	10-1-61	4	99	1,500,000	4.0160
204	Home Telephone Company of Ridgway	12-1-36	12-1-61	4	100	300,000	3.9683
206	Meadville Telephone Company	12-1-36	12-1-61	4	100	350,000	3.9683
200	Pennsylvania Power Company	12-30-36	12-1-61	3	100	6,978,000	3.5000
209	The Roaring Creek Water Company	1-1-37	1-1-67	4	100	300,000	4.0000
119	Pennsylvania Water Company	2-11-37	2-1-67	3	102	2,228,000	3.3633
190	Pittsburgh Railways Company	3-1-37	9-1-46	4	100	750,000	4.0000
235	Pittsburgh Railways Company	3-1-37	3-1-47	4	100	750,000	4.0000
225	The Scranton Electric Company	3-3-37	8-15-67	3	101	6,800,000	3.1979
216	Philadelphia Electric Company	3-11-37	3-1-67	3	102	130,000,000	3.3670
223	Pennsylvania Power Company	4-23-37	12-1-61	4	100	2,000,000	4.0000
<b>Preferred Stocks:</b>							
81	Pennsylvania Water & Power Company	4-1-35		85	99	17,644 shs.	5.0251
240	Pennsylvania Power Company	5-4-37		86	103	5,500 shs.	5.8252

\* Yield computed from interest date nearest to date of actual sale, where latter date is known; otherwise from interest date nearest to date of Commission approval.

# MICROCARD

TRADE MARK 

# 22



MICROCARD<sup>®</sup>  
EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON MICROCARD AND MICROFICHES  
901 TWENTY-SIXTH STREET, N.W., WASHINGTON, D.C. 20037, PHONE (202) 333-6393

3182

38-96



**BOND PRICES AND YIELDS**  
**PENNSYLVANIA ELECTRIC UTILITIES**

Line No.	Description (a)	Interest Rate (b)	Amount Outstanding 12/31/56 (c)	Maturity Date (d)	Source (e)	Price		
						Date (1957) (f)	Price (g)	Yield (h)
1	Alticon & Logan Valley El. Ry. Co.: First Lien & Collateral Trust	4%	\$ 1,408,000	1-1-54	NDQS	6/10	Bid 87	5.18%
2	Chester County Lt. & P. Co.: First Mortgage Gold	6%	287,000	6-1-54	NDQS	2/27	Bid 106	5.46%
3	Duquesne Light Co.: First Mortgage	3 1/2%	70,000,000	6-1-65	NYSE	6/10	Sale 108 1/2	5.21%
4	Erie County Electric Co.: Consolidated Mortgage Gold	6%	948,000	1-1-59	NDQS	2/27	Bid 132 1/2	5.28%
5	Funking Mortgage Gold	6%	78,000	1-1-60	NDQS	2/27	Bid 134	4.26%
6	Erie Lighting Co.: First Mortgage S. F. Gold	6%	4,748,500	4-1-67	NYSE	6/10	Sale 105 1/2	4.67%
7	Keystone Public Service Co.: First Mortgage	5%	4,000,000	11-1-78	NDQS	6/10	Bid 99	5.06%
8	Luzerne County Gas & El. Co.: First Mortgage H. & I. Gold	5%	5,475,000	10-1-48	NDQS	6/10	Bid 107	4.28%
9	S. F. Convertible Gold	7%	2,584,000	7-1-44	NDQS	6/8	Bid 115	4.48%
10	First & Ref. Mortgage	6%	4,485,000	9-1-54	NDQS	6/8	Bid 107	5.34%
11	Metropolitan Edison Co.: First Mortgage Gold "D"	4 1/2%	22,880,800	3-1-68	NYSE	6/10	Sale 104 1/2	4.13%
12	First Mortgage Gold "E"	4%	4,884,000	5-1-71	NYSE	6/10	Sale 108 1/2	5.85%
13	First Mortgage Gold "G"	4%	11,710,900	5-1-65	NDQS	6/10	Bid 108 1/2	5.78%
14	Northern Penna. Pr. Co.: First Ref. Mgs. Gold	5%	1,589,900	6-1-56	NDQS	6/10	Bid 100 1/2	4.98%
15	First Ref. Mgs. Gold	5%	2,089,600	4-15-62	NDQS	6/10	Bid 99 1/2	5.08%
16	Sayre Electric Co.: First Mgs. S. F. Gold	5%	550,500	4-1-47	NDQS	6/4	Bid 100	4.37%
17	Penn Central Lt. & Pr. Co.: First Mgs. Gold	4 1/2%	25,900,000	11-1-77	NYSE	6/10	Sale 95	4.78%
18	First Mgs. Gold	5%	2,175,000	5-1-79	NYSE	6/7	Sale 100 1/2	4.97%

(a) NYSE--New York Stock Exchange  
NDQS--National Daily Quotation Service  
NYSE--New York Curb Exchange

**BOND PRICES AND YIELDS**  
**PENNSYLVANIA ELECTRIC UTILITIES**

Line No.	Description (a)	Interest Rate (b)	Amount Outstanding Maturity 12/31/36 Date (c) (d)		Source (e) (f)		Price Date (1937) Price Yield (g) (h)	
	Pennsylvania Electric Co.:							
1	First & Ref. Mtgs.--"F"	4%	\$ 6,697,000	5-1-71	NYSE	8/10	Sale 91 1/2	4.505%
2	First & Ref. Mtgs.--"H"	5%	17,313,500	4-15-82	NDQS	6/10	Bid 99	5.072
	Penn Public Service Corp.:							
3	First & Ref. Mtgs.--"C"	6%	4,549,000	5-1-47	NYSE	6/5	Sale 107	5.098
4	First & Ref. Mtgs.--"D"	5%	2,435,000	12-1-54	NYSE	6/9	Sale 102 1/2	4.787
	Pennsylvania Power & Light Co.:							
5	First Mortgage Gold	4 1/2%	121,000,000	4-1-81	NYSE	6/10	Sale 101	4.448
	Pennsylvania Water & Power Co.:							
6	First Mortgage Gold	5%	10,998,000	1-1-40	NDQS	5/5	Bid 108 3/8	1.569
7	First Ref. Mtgs. Gold--Ser. "B"	4 1/2%	11,134,000	3-1-68	NDQS	6/4	Bid 106 1/2	4.124
	Philadelphia Electric Co.:							
8	First & Ref. Mtgs.	3 1/2%	130,000,000	3-1-87	NYSE	6/10	Sale 103 1/8	3.333
	Philadelphia Elec. Power Co.:							
9	First Mortgage Gold	5 1/2%	25,970,000	2-1-72	NYSE	6/10	Sale 110	4.697
	Philadelphia Hydro Elec. Co.:							
10	First Mortgage Gold	5%	130,000	1-1-39	NDQS	6/8	Bid 102 1/2	3.262
	Safe Harbor Water Pr. Corp'n.:							
11	First Mortgage S. E. Gold	4 1/2%	21,000,000	6-1-79	NYSE	6/10	Sale 108 1/2	4.075
	Scranton Electric Co.:							
12	First & Ref. Mtgs. (New First)	5%	5,750,000	7-1-37	NDQS	2/27	Bid 100 7/8	3.222
	West Penn Power Co.:							
13	First Mortgage--"E"	5%	12,500,000	3-1-63	NYSE	6/10	Sale 119	3.827
14	First Mortgage--"H"	4%	10,000,000	7-1-61	NYSE	6/9	Sale 109	3.446
15	First Mortgage--"I"	3 1/2%	27,000,000	1-1-66	NYSE	6/10	Sale 105	3.178

(a) NYSE--New York Stock Exchange  
 NDQS--National Daily Quotation Service  
 NYCE--New York Curb Exchange

## PREFERRED STOCK PRICES AND YIELDS

## PENNSYLVANIA ELECTRIC UTILITIES

Line No.	Description (a)	Dividend Rate (b)	Par Value per Share (c)	Par or Stated Value of Outstanding Stock Dec. 31, 1936 (d)	Source (e)	Price (f)		Yield (%) (h)
						Date (1937) (g)	Price (g)	
1	Duquesne Light Co.	5%	\$100	\$27,500,000.00	NYSE	6/9	Sale \$113 1/8	4.42%
2	Lehigh Valley Public Service Co.	\$2.80	Non Par	548,899.00	NDQS	6/9	Bid 45	6.22%
3	Luzerne County Gas & El. Co.}	\$7.00	Non Par	2,783,850.98	NDQS	6/10	Bid 105 3/4	6.63%
4		\$6.00	Non Par	500,000.00	NDQS	6/10	Bid 104 1/2	5.74%
	Metropolitan Edison Co.:							
5	Cumulative Preferred	\$7.00	Non Par	1,151,800.00	SS	5/8	Bid 107	6.54%
6	Cumulative Preferred	\$6.00	Non Par	9,588,600.00	NDQS	6/10	Bid 92	6.52%
7	Cumulative Preferred	\$5.00	Non Par	568,600.00	NDQS	6/9	Bid 75	6.67%
8	Prior Preferred	\$7.00	Non Par	573,400.00	NDQS	6/9	Bid 103	6.80%
9	Prior Preferred	\$6.00	Non Par	9,180,200.00	NDQS	6/10	Bid 102 1/2	5.82%
10	Prior Preferred	\$5.00	Non Par	19,900.00	SS	4/30	Bid 100	5.00%
11	Penn Central Light & Power Co.}	\$5.00	Non Par	8,993,404.50	NDQS	6/10	Bid 60	8.33%
12		\$2.80	Non Par	4,001,998.50	NYSE	6/10	Sale 37	7.59%
13	Pennsylvania Power Co.}	\$6.60	Non Par	996,217.50	NDQS	6/10	Bid 103 1/4	6.39%
14		\$6.00	Non Par	1,800,525.00	NDQS	6/10	Bid 101 7/8	5.89%
15	Pennsylvania Power & Light Co.}	\$7.00	Non Par	Not segregated	NYSE	6/10	Sale 98	7.14%
16		\$6.00	Non Par		NYSE	6/10	Sale 94	6.38%
17		\$5.00	Non Par		NDQS	5/10	Bid 85 1/2	5.88%
18	Pennsylvania Water & Power Co.	\$5.00	Non Par	2,130,895.00	NDQS	6/10	Bid 108 3/4	4.60%
19	Philadelphia Electric Co.	\$5.00	Non Par	\$7,607,352.32	PSE	6/10	Sale 112	4.40%
20	Philadelphia Electric Power Co.	8%	\$25.00	12,000,000.00	PSE	6/10	Sale 32 3/4	6.17%
21	West Penn Power Co.}	6%		17,000,000.00	NYSE	6/10	Sale 111 1/2	5.38%
22		7%		12,707,700.00	NYSE	6/7	Sale 120 3/4	5.80%

(a) NYSE = New York Stock Exchange  
 NDQS = National Daily Quotation Service  
 SS = Standard Statistics Bond Service  
 NYCE = New York Curb Exchange  
 PSE = Philadelphia Stock Exchange



FINANCIAL AND OPERATING STATISTICS  
PENNSYLVANIA ELECTRIC UTILITIES  
1936

Line No	Name of Utility (a)	Fixed Capital (b)	Depreciation Reserve (c)	Bonds (d)	Preferred Stock (e)	Common Stock (f)	Income Available for Interest and Amortization of Discount and Expense (g)	Interest and Amortization (b) (h)
1	Altoona & Logan Valley El. Ry. Co.	\$ 4,193,663	\$ 29,561	\$ 1,902,900		\$ 12,686	\$ 155,562	\$ 61,146
2	Chester County Light & Power Co.	989,265	125,853	267,000		585,000	58,765	17,783
3	Duquesne Light Company	173,362,449	13,351,620	70,000,000	27,500,000	56,813,120	13,553,266	2,775,233
4	Erie County Electric Company	5,576,672	917,812	1,402,000		3,937,500	548,258	80,230
5	Erie Lighting Company	10,990,129	1,899,950	4,768,500	15,680	2,100,000	511,071	280,496
6	Keystone Public Service Company	5,466,735	1,014,727	4,000,000	548,899	115,000	508,871	204,577
7	Luzerne County Gas & Electric Co.	18,532,270	1,487,037	10,496,000	3,283,651	4,417,350	1,215,062	734,150
8	Metropolitan Edison Company	85,866,065	14,301,133	40,615,900	21,082,500	14,271,130	5,619,725	2,046,978
9	Northern Penna. Power Company	7,327,589	1,085,233	3,990,000		2,213,000	450,171	223,261
10	Penn Central Light & Power Co.	42,635,460	2,240,519	27,875,000	12,997,403	166,000	2,472,031	1,367,481
11	Pennsylvania Electric Company	54,483,682	2,471,450	32,278,500		23,500,000	3,251,267	1,786,653
12	Penna. Power Company	13,034,104	1,242,906	6,973,000	2,736,743	2,500,000	856,899	385,505
13	Penna. Power and Light Company	238,198,177	19,761,664	131,400,000	77,928,256	(a)	14,157,217	6,283,624
14	Pennsylvania Water & Power Co.	29,873,641	4,853,040	22,172,000	2,130,895	10,868,313	3,232,458	1,054,519
15	Philadelphia Electric Company	312,700,800	33,491,848	129,995,500	27,607,332	137,793,678	26,543,300	6,103,943
16	Phila. Electric Power Company	7,501,065	249,951	35,970,000	12,000,000	50,000	3,454,179	2,293,705
17	Phila. Hydro Electric Company	370,704	192,151	130,000		75,500	16,145	7,070
18	Safe Harbor Water Power Co.	27,850,807	483,576	21,000,000		8,194,725	1,329,506	1,000,476
19	Scranton Electric Company	31,544,721	10,837,151	18,756,000	5,324,600	6,071,866	2,453,503	465,803
20	West Penn Power Company	101,803,165	15,075,215	49,500,000	29,707,200	27,750,000	9,873,013	2,463,596

(a) Not segregated. Included with Preferred Stock.

(b) Entire interest requirements; bonds and unfunded debt.



FINANCIAL AND OPERATING STATISTICS  
PENNSYLVANIA ELECTRIC UTILITIES  
1936

Fixed Capital (b)	Depreciation Reserve (c)	Bonds (d)	Preferred Stock (e)	Common Stock (f)	Income Available for Interest and Amortization of Discount and Expense (g)	Interest and Amortization (b) (h)	Income Available for Preferred Dividends (i)	Preferred Dividend Requirements (j)	Times Interest Earned (k)	Times Preferred Dividends Earned (l)
\$ 4,193,663	\$ 29,561	\$ 1,902,900	\$	\$ 12,666	\$ 155,562	\$ 61,166	\$ 94,416	\$	2.5	
989,265	125,853	287,000		585,000	58,765	17,783	40,982		3.3	
173,352,449	13,351,620	70,000,000	27,500,000	56,813,120	13,553,266	2,775,233	10,778,033	1,375,000	4.9	7.8
5,576,672	917,812	1,402,000		3,937,500	548,258	80,230	468,028		6.8	
10,990,129	1,899,950	4,768,500	15,680	2,100,000	511,071	280,496	230,574	1,859	1.8	124.0
5,466,795	1,014,727	4,000,000	548,899	115,000	508,871	204,577	304,294	33,429	2.5	9.1
18,532,270	1,487,037	10,496,000	3,283,851	4,417,350	1,215,062	734,150	480,912	233,265	1.7	2.1
85,866,065	14,301,133	40,615,900	21,082,500	14,271,130	5,619,725	2,046,978	3,572,747	1,276,317	2.7	2.8
7,327,539	1,085,233	3,990,000		2,213,000	450,171	223,281	226,860		2.0	
42,635,160	2,240,519	27,875,000	12,997,403	166,600	2,472,031	1,367,481	1,104,550	852,611	1.8	1.3
54,483,682	2,471,450	32,278,500		23,500,000	3,251,267	1,786,653	1,464,614		1.8	
13,034,104	1,242,906	6,973,000	2,766,743	2,300,000	856,899	365,505	491,394	174,508	2.3	2.8
238,198,177	19,761,664	131,400,000	77,928,256	(a)	14,157,217	6,283,624	7,913,593	3,846,543	2.3	2.1
29,873,641	4,653,040	22,132,000	2,130,895	10,868,313	3,232,458	1,054,519	2,177,939	107,465	3.1	20.3
312,700,800	33,491,848	129,995,500	27,607,332	137,793,678	26,543,300	6,103,943	20,436,357	1,400,290	4.3	14.6
7,501,065	249,951	35,970,000	12,000,000	50,000	3,454,179	2,293,705	1,160,474	960,000	1.5	1.2
370,704	192,151	130,000		75,500	16,145	7,070	9,075		2.3	
27,850,807	483,576	21,000,000		8,194,725	1,329,506	1,000,478	329,027		1.3	
31,544,721	10,837,151	18,756,000	5,324,800	6,071,866	2,453,503	465,803	1,987,700	319,488	5.3	6.2
101,803,165	15,075,215	49,500,000	29,707,700	27,750,000	9,873,013	2,463,596	7,409,417	1,909,539	4.0	3.9

(a) Not segregated. Included with Preferred Stock.

(b) Entire interest requirements; bonds and unfunded debt.

NEW YORK MONEY RATES  
FROM JANUARY 1, 1932 TO APRIL 23, 1937

Line No.	Year	Period (Quarters) (a)	Call Loans (b)	Time Money (c)	Commercial Paper	
					Choice (d)	Other (e)
1	1932	First	2 1/2 - 3 1/4	2 1/2 - 4	2 1/2 - 4	2 1/2 - 4 1/4
2		Second	2 1/2	1 - 3	2 - 3 1/4	3 - 4
3		Third	2 - 2 1/4	1 - 1 1/4	1 1/2 - 2 1/4	2 1/4 - 3
4		Fourth	1 - 2	1 - 1 1/4	1 1/2 - 2 1/4	2 - 2 1/4
5	1933	First	1 - 5	1 - 5	1 1/2 - 4	1 1/2 - 4
6		Second	1 - 3	1 - 2 1/4	1 1/2 - 3	1 1/2 - 3
7		Third	1 - 1	1 - 2	1 1/2	1 1/2
8		Fourth	1 - 1	1 - 1 1/4	1 1/2	1 1/2
9	1934	First	1	1 - 1 1/4	1 - 1 1/4	1 1/2 - 1 1/4
10		Second	1	1 - 1 1/4	1 - 1	1 - 1 1/4
11		Third(a)				
12		Fourth	1	1 - 1 1/4	1	1
13	1935	First	1	1 - 1 1/4	1	1
14		Second	1 - 1	1 - 1	1	1
15		Third	1	1 1/8 - 1 1/2	1	1
16		Fourth(b)	1	1	1	1
17	1936	First(c)	1	1	1	1
18		Second	1 - 1	1 - 1 1/4	1 (e)	1 (e)
19		Third	1	1 1/4	1	1
20		Fourth	1	1 1/4	1	1
21	1937	First	1	1 1/4	1 - 1	1
22		Second(d)	1	1 1/4 - 1 1/2	1	1

N. B. As reported in Commercial and Financial Chronicle.

(a) Figures not available.

(b) Figures available only for week ending November 8th.

(c) Figures available only for part of period.

(d) To April 23, 1937.

# CORPORATION PROFITS

## EARNINGS ON COMMON STOCKS ARRANGED ACCORDING TO RATIOS OF EARNINGS TO HIGH MARKET PRICES OF COMMON STOCKS

Line No.	Ratio of Earnings to Market Prices (a)	1932		1933		1934		1935		1936						
		No. of Cos. (b)	% of Accumulated Total (c)	No. of Cos. (e)	% of Accumulated Total (f)	No. of Cos. (h)	% of Accumulated Total (i)	No. of Cos. (k)	% of Accumulated Total (l)	No. of Cos. (n)	% of Accumulated Total (o)					
163 CLASSIFIED COMPANIES																
1	Deficits	82	50.9%	50.9%	62	38.0%	38.0%	47	28.8%	28.8%	37	22.8%	22.8%	16	9.9%	9.9%
2	0-1%	6	3.7	54.6	6	3.7	41.7	10	6.1	34.9	6	3.7	26.5	2	1.2	11.2
3	1-2	5	3.1	57.7	13	8.0	49.7	4	2.5	37.4	4	2.5	29.0	3	1.9	13.0
4	2-3	3	1.9	59.6	7	4.3	54.0	13	8.0	45.4	10	6.1	35.1	11	6.8	19.8
5	3-4	10	6.2	65.8	17	10.4	64.4	14	9.6	54.0	16	9.8	44.9	23	14.2	34.2
6	4-5	17	10.6	76.4	18	11.0	75.4	18	11.0	65.0	24	14.7	59.6	31	19.1	53.1
7	5-6	9	5.6	82.0	16	9.8	85.2	26	16.0	81.0	28	17.2	76.8	30	18.5	71.8
8	6-7	9	5.6	87.6	10	6.2	91.4	14	8.6	89.6	13	8.0	84.8	16	9.9	81.5
9	7-8	3	1.9	89.5	9	5.5	96.9	8	4.9	94.5	10	6.1	90.9	8	4.9	86.4
10	8-9	6	3.7	93.2	4	2.5	99.4	2	1.2	95.7	11	6.7	97.6	13	8.0	94.4
11	9-10	6	3.7	96.9	1	.6	100.0	3	1.8	97.5	1	.6	98.2	3	1.9	96.8
12	Over 10	5	3.1	100.0	0		100.0	4	2.5	100.0	3	1.8	100.0	6	3.7	100.0
13	Totals	161	100.0		163	100.0		163	100.0		163	100.0		162	100.0	
411 UNCLASSIFIED COMPANIES																
14	Deficits										116	28.2	28.2	80	19.5	19.5
15	0-1%										19	4.6	32.8	15	3.7	23.2
16	1-2										15	3.7	36.5	22	5.4	29.4
17	2-3										33	8.0	44.5	32	7.8	36.4
18	3-4										31	7.6	52.1	27	6.6	43.4
19	4-5										38	9.2	61.3	45	10.9	53.1
20	5-6										31	7.5	68.8	37	9.0	62.1
21	6-7										37	9.0	77.8	45	10.9	73.8
22	7-8										29	7.1	84.9	37	9.0	82.2
23	8-9										30	7.3	92.2	31	7.5	90.5
24	9-10										12	2.9	95.1	17	4.1	94.4
25	Over 10										20	4.9	100.0	23	5.6	100.0
26	Totals										411	100.0		411	100.0	
574 COMPANIES																
	Deficits										153	26.6	26.6	96	16.8	16.8
	0-1%										25	4.4	31.0	17	3.0	16.8
	1-2										19	3.3	34.3	23	4.4	23.2
	2-3										43	7.5	41.8	43	7.5	33.1
	3-4										47	8.2	50.0	50	8.7	44.4
	4-5										62	10.8	60.8	76	13.3	58.1
	5-6										89	10.3	71.1	67	11.7	64.4
	6-7										50	8.7	79.8	61	10.6	74.6



## CORPORATION PROFITS

EARNINGS ON COMMON STOCKS ARRANGED ACCORDING TO RATIOS OF EARNINGS  
TO HIGH MARKET PRICES OF COMMON STOCKS

		1933		1934		1935		1936		1936 Earnings-4-3-37 Price					
Accumulated Percentage (d)	No. of Cos. (e)	% of Accumulated Total (f)	Percentage (g)	No. of Cos. (h)	% of Accumulated Total (i)	Percentage (j)	No. of Cos. (k)	% of Accumulated Total (l)	Percentage (m)	No. of Cos. (n)	% of Accumulated Total (o)	Percentage (p)	No. of Cos. (q)	% of Accumulated Total (r)	Percentage (s)
163 CLASSIFIED COMPANIES															
50.9%	62	38.0%	38.0%	47	28.8%	28.8%	37	22.8%	22.8%	16	9.9%	9.9%	16	9.9%	9.9%
54.6	6	3.7	41.7	10	6.1	34.9	6	3.7	26.5	2	1.2	11.1	2	1.2	11.1
57.7	13	8.0	49.7	4	2.5	37.4	4	2.5	29.0	3	1.9	13.0	4	2.5	13.6
59.6	7	4.5	54.0	13	8.0	45.4	10	6.1	35.1	11	6.8	19.8	12	7.4	21.0
65.8	17	10.4	64.4	14	9.6	54.0	16	9.8	44.9	23	14.2	34.0	13	8.0	29.0
76.4	18	11.0	75.4	18	11.0	65.0	24	14.7	59.6	31	19.1	53.1	23	14.2	43.2
82.0	16	9.8	85.2	26	16.0	81.0	28	17.2	76.8	30	18.5	71.6	22	13.6	56.8
87.6	10	6.2	91.1	14	8.6	89.6	13	8.0	84.8	16	9.9	81.5	25	15.4	72.2
89.5	9	5.6	96.9	8	4.9	94.5	10	6.1	90.9	8	4.9	86.4	14	8.7	80.9
93.2	4	2.5	99.4	2	1.2	95.7	11	6.7	97.6	13	8.0	94.4	12	7.4	88.3
96.9	1	.6	100.0	5	1.8	97.5	1	.6	98.2	3	1.9	96.3	7	4.3	92.6
100.0	0		100.0	4	2.5	100.0	3	1.8	100.0	6	3.7	100.0	12	7.4	100.0
	163	100.0		163	100.0		163	100.0		162	100.0		162	100.0	
411 UNCLASSIFIED COMPANIES															
							116	28.2	28.2	60	19.5	19.5	60	19.5	19.5
							19	4.6	32.8	15	3.7	23.2	15	3.6	23.1
							15	3.7	36.5	22	5.4	28.6	20	4.9	28.0
							33	8.0	44.5	32	7.8	36.4	23	5.6	33.6
							31	7.6	52.1	27	6.6	43.0	20	4.9	38.5
							38	9.2	61.3	45	10.9	53.9	36	8.4	46.9
							31	7.5	68.8	37	9.0	62.9	41	10.0	56.9
							37	9.0	77.8	45	10.9	73.8	46	11.2	69.1
							29	7.1	84.9	37	9.0	82.8	36	8.5	76.6
							30	7.3	92.2	31	7.5	90.3	27	6.6	83.2
							12	2.9	95.1	17	4.1	94.4	30	7.3	90.5
							20	4.9	100.0	23	5.6	100.0	39	9.5	100.0
							411	100.0		411	100.0		411	100.0	
574 COMPANIES															
							153	26.6	26.6	96	16.8	16.8	96	16.8	16.8
							25	4.4	31.0	17	3.0	19.8	17	3.0	19.8
							19	3.3	34.3	23	4.4	24.2	24	4.2	24.0
							43	7.5	41.8	43	7.5	31.9	33	6.1	30.1
							47	8.2	50.0	50	8.7	40.4	33	5.8	35.9
							62	10.8	60.8	76	13.3	53.7	58	10.1	48.0
							69	10.3	71.1	67	11.7	65.4	63	11.0	57.0
							60	8.7	77.8	61	10.6	76.0	71	12.4	69.4
							39	6.8	86.6	45	7.2	83.9	49	8.6	78.0
													39	6.8	84.8

# TO HIGH MARKET PRICES OF COMMON STOCKS

Line No.	Ratio of Earnings to Market Prices (a)	1932		1933		1934		1935		1936	
		No. of Cos. (b)	% of Accumulated Total (c)	No. of Cos. (e)	% of Accumulated Total (f)	No. of Cos. (h)	% of Accumulated Total (i)	No. of Cos. (k)	% of Accumulated Total (l)	No. of Cos. (n)	% of Accumulated Total (o)
163 CLASSIFIED COMPANIES											
1	Deficits	62	50.9%	62	58.0%	47	28.8%	37	22.8%	16	9.9%
2	0-15	6	3.7	6	3.7	10	6.1	6	3.7	2	1.2
3	1-2	5	3.1	13	8.0	4	2.5	4	2.5	3	1.9
4	2-3	3	1.9	7	4.3	13	8.0	10	6.1	11	6.8
5	3-4	10	6.2	17	10.4	14	9.6	16	9.8	23	14.2
6	4-5	17	10.6	18	11.0	18	11.0	24	14.7	31	19.1
7	5-6	9	5.6	16	9.8	26	16.0	28	17.2	30	18.5
8	6-7	9	5.6	10	6.2	14	8.6	13	8.0	16	9.9
9	7-8	3	1.9	9	5.5	8	4.9	10	6.1	8	4.9
10	8-9	6	3.7	4	2.5	2	1.2	11	6.7	13	8.0
11	9-10	6	3.7	1	.6	3	1.8	1	.6	3	1.9
12	Over 10	5	3.1	0	100.0	4	2.5	3	1.8	6	3.7
13	Totals	161	100.0	163	100.0	163	100.0	163	100.0	162	100.0
411 UNCLASSIFIED COMPANIES											
14	Deficits							116	28.2	80	19.5
15	0-15							19	4.6	15	3.7
16	1-2							15	3.7	22	5.4
17	2-3							33	8.0	32	7.8
18	3-4							31	7.6	27	6.6
19	4-5							38	9.2	45	10.9
20	5-6							31	7.5	37	9.0
21	6-7							37	9.0	45	10.9
22	7-8							29	7.1	37	9.0
23	8-9							30	7.3	31	7.5
24	9-10							12	2.9	17	4.1
25	Over 10							20	4.9	23	5.6
26	Totals							411	100.0	411	100.0
574 COMPANIES											
	Deficits							153	26.6	96	16.8
	0-15							25	4.4	17	3.0
	1-2							19	3.3	23	4.4
	2-3							43	7.5	43	7.5
	3-4							47	8.2	50	8.7
	4-5							62	10.8	76	13.3
	5-6							69	10.3	67	11.7
	6-7							50	8.7	61	10.6
	7-8							39	6.8	45	7.9
	8-9							41	7.1	44	7.7
	9-10							13	2.3	20	3.4
	Over 10							23	4.0	29	5.0
	Totals							574	100.0	573	100.0



EARNINGS ON COMMON STOCKS ARRANGED ALPHABETICALLY  
TO HIGH MARKET PRICES OF COMMON STOCKS

1933			1934			1935			1936			1936 Earnings-4-5-37 Price		
No. of Cos. (e)	% of Accumulated Total (f)	Percentage (g)	No. of Cos. (h)	% of Accumulated Total (i)	Percentage (j)	No. of Cos. (k)	% of Accumulated Total (l)	Percentage (m)	No. of Cos. (n)	% of Accumulated Total (o)	Percentage (p)	No. of Cos. (q)	% of Accumulated Total (r)	Percentage (s)
163 CLASSIFIED COMPANIES														
62	38.0%	38.0%	47	28.8%	28.8%	37	22.8%	22.8%	16	9.9%	9.9%	16	9.9%	9.9%
6	3.7	41.7	10	6.1	34.9	6	3.7	26.5	2	1.2	11.1	2	1.2	11.1
15	8.0	49.7	4	2.5	37.4	4	2.5	29.0	3	1.9	13.0	4	2.5	13.6
7	4.5	54.0	15	8.0	45.4	10	6.1	36.1	11	6.8	19.8	12	7.4	21.0
17	10.4	64.4	14	8.6	54.0	16	9.8	44.9	23	14.2	34.0	13	8.0	29.0
18	11.0	75.4	18	11.0	65.0	24	14.7	59.6	31	19.1	53.1	23	14.2	43.2
16	9.8	85.2	26	16.0	81.0	28	17.2	76.8	30	16.5	71.6	22	13.6	56.8
10	6.2	91.4	14	8.6	89.6	13	8.0	84.8	16	9.2	81.5	25	15.4	72.2
9	5.5	96.9	8	4.9	94.5	10	6.1	90.9	8	4.2	86.4	14	8.7	80.9
4	2.5	99.4	2	1.2	95.7	11	6.7	97.6	13	8.0	94.4	12	7.4	88.3
1	.6	100.0	3	1.8	97.5	1	.6	98.2	3	1.9	96.3	7	4.3	92.6
0		100.0	4	2.5	100.0	3	1.8	100.0	6	3.7	100.0	12	7.4	100.0
163	100.0		163	100.0		163	100.0		162	100.0		162	100.0	
411 UNCLASSIFIED COMPANIES														
						116	28.2	28.2	80	19.5	19.5	80	19.5	19.5
						19	4.6	32.8	15	3.7	23.2	15	3.6	23.1
						15	3.7	36.5	22	5.4	28.6	20	4.9	28.0
						33	8.0	44.5	32	7.8	36.4	23	5.6	33.6
						31	7.6	52.1	27	6.6	43.0	20	4.9	38.5
						38	9.2	61.3	45	10.9	53.9	35	8.4	46.9
						31	7.5	68.8	37	9.0	62.9	41	10.0	56.9
						37	9.0	77.8	45	10.9	72.8	46	11.2	69.1
						29	7.1	84.9	37	9.0	82.8	35	8.5	76.6
						30	7.3	92.2	31	7.5	90.3	27	6.6	83.2
						12	2.9	95.1	17	4.1	94.4	30	7.3	90.5
						20	4.9	100.0	23	5.6	100.0	39	9.5	100.0
						411	100.0		411	100.0		411	100.0	
574 COMPANIES														
						155	26.6	26.6	96	16.8	16.8	96	16.8	16.8
						25	4.4	31.0	17	3.0	19.8	17	3.0	19.8
						19	3.3	34.3	23	4.4	24.2	24	4.2	24.0
						43	7.5	41.8	43	7.5	31.7	33	6.1	30.1
						47	8.2	50.0	50	8.7	40.4	33	5.8	35.9
						62	10.8	60.8	76	13.3	53.7	58	10.1	46.0
						59	10.3	71.1	67	11.7	65.4	63	11.0	57.0
						60	8.7	79.8	61	10.6	76.0	71	12.4	69.4
						39	6.8	86.6	45	7.2	83.9	42	8.6	78.0
						41	7.1	93.7	44	7.7	91.6	39	6.8	84.6
						13	2.3	96.0	20	3.4	95.0	37	6.4	91.2
						25	4.0	100.0	29	3.0	100.0	51	8.8	100.0
						574	100.0		573	100.0		573	100.0	



## CORPORATION PROFITS

EARNINGS ON COMMON STOCKS ARRANGED ACCORDING TO  
RATIOS OF EARNINGS TO LOW MARKET PRICES OF COMMON STOCKS

Line No.	Ratio of Earnings to Market Prices (a)	No. of Cos. (b)	1932		No. of Cos. (e)	1933		No. of Cos. (h)	1934		No. of Cos. (k)	1935		No. of Cos. (n)	1936	
			% of Total (c)	% of Accumulated (d)		% of Total (f)	% of Accumulated (g)		% of Total (i)	% of Accumulated (j)		% of Total (l)	% of Accumulated (m)		% of Total (o)	% of Accumulated (p)
163 CLASSIFIED COMPANIES																
1	Deficits	82	51.0%	51.0%	82	38.0%	38.0%	47	28.8%	28.8%	37	22.8%	22.8%	18	9.2%	9.2%
2	0-1%	1	.6	51.6	1	.6	38.6	5	3.1	31.9	3	1.6	24.6	1	.6	10.5
3	1-2	2	1.2	52.8	2	1.2	39.8	6	3.7	35.6	2	1.2	25.8	1	.6	11.1
4	2-3	2	1.2	54.0	2	1.2	41.0	1	.6	36.2	3	1.8	27.6	3	1.8	12.9
5	3-4	2	1.2	55.2	2	1.2	42.2	4	2.5	38.7	4	2.5	30.1	3	1.8	14.7
6	4-5	4	2.5	57.7	3	1.9	44.1	5	3.1	41.8	4	2.5	32.6	8	4.9	19.6
7	5-6	0	0.0	57.7	5	3.1	47.2	15	9.2	51.0	14	8.5	41.1	21	13.0	32.6
8	6-7	2	1.2	58.9	7	4.3	51.5	14	8.6	59.6	18	11.0	52.1	20	12.4	45.0
9	7-8	3	1.9	60.8	4	2.5	54.0	16	9.8	69.4	13	8.0	60.1	28	17.3	62.3
10	8-9	7	4.4	65.2	10	6.1	60.1	10	6.1	75.5	10	6.1	66.2	12	7.4	69.7
11	9-10	5	3.1	68.3	13	8.0	68.1	10	6.1	81.6	6	3.7	69.9	10	6.2	75.9
12	Over 10	51	31.7	100.0	52	31.9	100.0	30	18.4	100.0	49	30.1	100.0	39	24.1	100.0
13	Totals	161	100.0		163	100.0		163	100.0		163	100.0		162	100.0	
411 UNCLASSIFIED COMPANIES																
14	Deficits										116	28.2	28.2	80	19.5	19.5
15	0-1%										9	2.2	30.4	9	2.2	21.7
16	1-2										7	1.7	32.1	6	1.5	23.2
17	2-3										8	2.0	34.1	14	5.4	26.6
18	3-4										9	2.2	36.3	20	4.9	31.5
19	4-5										18	4.4	40.7	13	3.2	34.7
20	5-6										12	2.9	43.6	27	6.6	41.3
21	6-7										23	5.6	49.2	22	5.3	46.6
22	7-8										18	4.4	53.6	33	8.0	54.6
23	8-9										17	4.1	57.7	22	5.3	59.9
24	9-10										20	4.9	62.6	30	7.3	67.2
25	Over 10										154	37.4	100.0	135	32.8	100.0
26	Totals										411	100.0		411	100.0	
574 COMPANIES																
27	Deficits										153	26.6	26.6	96	16.8	16.8
28	0-1%										12	2.1	28.7	10	1.7	18.5
29	1-2										9	1.6	30.3	7	1.2	19.7
	2-3										11	1.9	32.2	17	3.0	22.7
	3-4										13	2.3	34.5	23	4.0	26.7
	4-5										22	3.9	38.4	21	3.7	30.4
	5-6										26	4.5	42.9	48	8.4	38.9
	6-7										41	7.1	50.0	42	7.3	46.1
	7-8										31	5.4	55.4	61	10.6	56.7
	8-9										27	4.7	60.1	34	5.9	62.6
	9-10										28	4.5	64.6	40	7.0	69.6
	Over 10										203	35.4	100.0	174	30.4	100.0
	Totals										574	100.0		573	100.0	

RATIOS OF CORPORATE EARNINGS  
TO MARKET VALUES OF COMMON STOCKS

Line No.		Number of Companies	Ratio of Earnings to High Market Prices					Ratio of 1934 Earnings to Closing Price 4/3/37
			1932	1933	1934	1935	1936	
Classified Companies:								
1	Automobile	10	* %	* %	* %	* %	4.36%	5.03%
2	Building Material	9	*	*	.95	3.36	3.75	4.00
3	Boot & Shoe	3	5.83	6.81	6.16	5.78	4.75	5.99
4	Chemical	11	3.58	3.55	4.13	4.48	4.54	4.83
5	Container	4	4.83	5.36	6.06	4.61	4.39	5.02
6	Cosmetic, Drug & Medicine	9(a)	7.78	7.17	7.70	5.49	5.84	6.88
7	Electrical Equipment	4	*	*	.63	3.65	3.77	3.97
8	Food	11	4.66	4.40	4.93	4.52	5.28	5.95
9	Motor Accessory	15	*	.87	3.77	6.73	6.87	8.78
10	Nonferrous Metal	14	*	3.60	4.83	5.63	5.14	5.73
11	Office Equipment	7	2.06	4.01	6.21	5.88	6.50	7.50
12	Public Utility	13	5.29	3.20	6.38	5.71	5.47	6.59
13	Railroad Equipment	8	*	*	*	*	2.07	2.10
14	Rubber	5	*	*	1.10	*	9.83	7.38
15	Steel	7	*	*	*	1.25	5.42	4.47
16	Steam Railroads	23	*	*	*	*	*	*
17	Tobacco	8	8.38	4.32	5.13	4.31	4.82	5.88
18	Average--Classified Companies	163	* B	.96	2.02	2.91	4.38	4.77
19	Unclassified Companies	411				2.04	3.84	4.16
20	Average--All Companies	574				2.42%	4.06%	4.41%

\* Denotes Deficits  
(a) 7 companies in 1932; 8 companies in 1933

RATIOS OF CORPORATE EARNINGS TO  
MARKET VALUES OF COMMON STOCKS

Line No.		Number of Companies	Ratio of Earnings to Low Market Prices				
			1932	1933	1934	1935	1936
	Classified Companies:						
1	Automobile	10	* %	* %	* %	* %	7.20%
2	Building Material	9	*	*	1.36	7.43	5.90
3	Boot & Shoe	3	11.76	14.95	8.39	7.00	6.14
4	Chemical	11	8.60	10.33	5.95	6.78	6.96
5	Container	4	12.08	10.53	7.81	6.84	5.73
6	Cosmetic, Drug & Medicine	9(a)	17.25	12.67	11.65	8.39	7.64
7	Electrical Equipment	4	*	*	1.06	9.88	6.35
8	Food	11	9.77	9.56	6.25	5.90	6.78
9	Motor Accessory	15	*	2.51	7.26	14.00	10.77
10	Nonferrous Metal	14	*	12.29	6.14	6.85	7.89
11	Office Equipment	7	4.86	9.73	9.23	9.32	9.18
12	Public Utility	13	12.56	10.67	10.83	12.21	7.11
13	Railroad Equipment	8	*	*	*	*	4.23
14	Rubber	5	*	*	2.23	*	19.01
15	Steel	7	*	*	*	5.14	9.45
16	Steam Railroads	25	*	*	*	*	*
17	Tobacco	8	17.48	8.21	7.89	5.60	5.56
18	Average--Classified Companies	163	*	2.55	3.22	4.92	6.54
19	Unclassified Companies	411				3.70	6.33
20	Average--All Companies	574				4.23	6.43

\* Denotes Deficits  
(a) 7 companies in 1932; 8 companies in 1936



# CAPITALIZATION OF

## YORK RAILWAYS COMPANY, SUBSIDIARY

DAY & ZIMMERMAN  
ENGINEERS  
NEW YORK PHILADELPHIA

### LEGEND

- Acquisition of Plant and Property
- - - Acquisition of Stocks, Bonds and
- Ownership of Entire Common Stock

Merged and Consolidated under an agreement  
Dated Nov. 9-1907

YORK AND WESTCHESTER RAILROAD CO. INCORPORATED JULY 5, 1891 - CONSOLIDATED BY PAID. (Capitalization as of Date of Report)	
Common Capital Stock	Per Share
500 Shares @ \$20	\$ 10,000
Reserves for Reconstruction Expenses	500,000
Total Capitalization	\$ 510,000
Merged with York Railways Company Nov. 9, 1907	

YORK AND WESTCHESTER RAILROAD CO. INCORPORATED JULY 5, 1891 - CONSOLIDATED BY PAID. (Capitalization as of Date of Report)	
Common Capital Stock	Per Share
500 Shares @ \$20	\$ 10,000
Reserves for Reconstruction Expenses	500,000
Total Capitalization	\$ 510,000
Merged with York Railways Company Nov. 9, 1907	

YORK AND WESTCHESTER RAILROAD CO. INCORPORATED JULY 5, 1891 - CONSOLIDATED BY PAID. (Capitalization as of Date of Report)	
Common Capital Stock	Per Share
500 Shares @ \$20	\$ 10,000
Reserves for Reconstruction Expenses	500,000
Total Capitalization	\$ 510,000
Merged with York Railways Company Nov. 9, 1907	

YORK AND WESTCHESTER RAILROAD CO.  
INCORPORATED JULY 5, 1891 - CONSOLIDATED BY PAID.

YORK AND WESTCHESTER RAILROAD CO. INCORPORATED JULY 5, 1891 - CONSOLIDATED BY PAID. (Capitalization as of Date of Report)	
Common Capital Stock	Per Share
500 Shares @ \$20	\$ 10,000
Reserves for Reconstruction Expenses	500,000
Total Capitalization	\$ 510,000
Merged with York Railways Company Nov. 9, 1907	

YORK AND WESTCHESTER RAILROAD CO. INCORPORATED JULY 5, 1891 - CONSOLIDATED BY PAID. (Capitalization as of Date of Report)	
Common Capital Stock	Per Share
500 Shares @ \$20	\$ 10,000
Reserves for Reconstruction Expenses	500,000
Total Capitalization	\$ 510,000
Merged with York Railways Company Nov. 9, 1907	

YORK AND WESTCHESTER RAILROAD CO. INCORPORATED JULY 5, 1891 - CONSOLIDATED BY PAID. (Capitalization as of Date of Report)	
Common Capital Stock	Per Share
500 Shares @ \$20	\$ 10,000
Reserves for Reconstruction Expenses	500,000
Total Capitalization	\$ 510,000
Merged with York Railways Company Nov. 9, 1907	



<p>MAKING AND YOUR OWNERS' INTERESTS COME FIRST</p> <p>COMMERCIAL BLDG. CO., INC. - COMMERCIAL OF TEXAS</p> <p>(Incorporated in the State of Texas)</p>	
<p>Amount \$440,000.00</p> <p>Net Share \$ 1.30</p> <p>Minimum for Subscription \$1000</p> <p>Trade Registration</p>	<p>Net Share</p> <p>\$ 440,000</p> <p>\$100,000</p> <p>\$ 340,000</p>
<p>Prepared by: Texas Building Company Inc., P. 1397</p>	

THE UNITED STATES CUSTOMS SERVICE	
IMPORTED JUL 5, 1964 - CONTINUATION OF FORM	
Registration of Sale of Goods	
Value Reported (Mark)	Per
500 Dollars & 00/100	\$ 500.00
Wholesale for Transportation Address	100.00
Total Registered Value	\$ 600.00
Export with This Certificate (Country No.) 1007	

THE FIRST AND LAST SHOOTING SEASON ON COMMENCED MAY 5, 1955 - COMMENCED BY FISH.	
(Hatched/Season on of Lake of Chicago)	
Chicago Sept 1st 1955	1st 1955
2,400 Shores 0 1955	0 1.2, 1955
Chicago of the Lake, the Chicago Company Inc. 5, 1955	

AND LINES AND TERMINAL STREET RAILWAY CO.	
Issued Monthly JULY 5, 1921 - COMMUNICATIONS OF THE (Registration as of Date of Receipt)	
Amount Capital Stock	For
100 Shares @ \$50	0 0,000
Subscription for Communications Address	100 100
Total Capitalization	0 100,100
Bought with New Exchange Company Nov. 5, 1921	

NAME AND ADDRESS OF THE COMPANY OR INCORPORATED FEB 22, 1955 - MEMPHIS, TN OF FORD	
(Registered office of State of Georgia)	
Amount Capital Stock \$ 1,000,000.00	Full Paid 0 - 100.00
Wholly owned by Government of Georgia	0 - 0.00
Total Capitalization	0 - 100.00
Changes in the State of Georgia Company No. 2, 1957	

TOWN STREET 1212 STREET	
UNIMPROVED STREET 12, 1890 - CONTINUATION OF FINESTONE	
(Regulation on 12 1/2 ft. of Street)	
Amount Paid to Date	Per Owner
6,000 Dollars @ 12%	\$ 720,000
Charges for Engineering Estimate	100.00
Total Paid to Date	\$ 720,100
Street 1212, East 1212th Street, New York, N.Y.	

[illegible]

Non-operating Railway Companies Acquired From The Federal Reserve Bank of New York on August 1, 1937 (Report to the Board of Directors, August 1, 1937)		Grand Total Assets Acquired July 1, 1937	
Name of Company	Amount Received (Dollars)	Net Paid In (Dollars)	Paid In (Dollars)
and Maryland State Street Railway Co.	\$1,000,000	140,000	860,000

[illegible][illegible][illegible][illegible]

Merged and Consolidated under a  
Dated June 26-1915

WALK LIGHT, SEAT AND PORTER TRUCKS		
INVESTMENT IN THE LAND OF THE STATE OF NEW JERSEY MAY 25, 1936		
INVESTMENT IN THE STATE CAPITAL BUILDING OF NEW JERSEY AS REQUIRED BY		
LEGISLATION OF APRIL TWENTY NINE BEING IN CONNECTION WITH THE		
BUDGET FOR 1937		
INVESTMENT IN THE LAND OF THE STATE OF NEW JERSEY MAY 25, 1936	100,000.00	100,000.00
INVESTMENT IN THE STATE CAPITAL BUILDING OF NEW JERSEY AS REQUIRED BY	1,000,000.00	1,000,000.00
LEGISLATION OF APRIL TWENTY NINE BEING IN CONNECTION WITH THE	1,000,000.00	1,000,000.00
BUDGET FOR 1937	1,000,000.00	1,000,000.00

[illegible]

Merged and Consolidated and  
Dated May 3-19





[illegible]

**DAY & ZIMMERMANN, INC.**  
ENGINEERS  
NEW YORK      PHILADELPHIA      CHICAGO

[illegible][illegible]

Acquired by Deed  
Dated Feb. 8-1894

THE PHOTOGRAPHIC DEVELOPMENT LIGHT, HEAT AND POWER COMPANY OF TAMPA, FL.  
INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF FLORIDA  
CERTIFICATE NUMBER ISSUED OCT. 14, 1935  
(Registration as a State of Incorporation by  
the Illinois Electric Light Company of Tampa, Fla.)

Common Capital Stock	Per Share Market Value
1,500-1/8 Shares at \$10 Per Share each	\$ 15,000

<p>THE PHILIPS ELECTRIC LIGHT COMPANY OF NEW, N.J.</p> <p>INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA</p> <p>LETTERS PATENT DATED SEP 2, 1905</p> <p>(Registered on the Date of Application by Philips Electric Light Company of New, N.J.)</p>	
Common Capital Stock	Par Value
10,000,000 Shares of \$1 per share each	\$ 10,000,000

<p>THIS AND VARIOUS SUBSIDIARY LIST HEREIN          FORMED BY AN AGREEMENT OF CONSOLIDATION AND MERGER UNDER THE LAW OF THE          COMMONWEALTH OF MASSACHUSETTS, BEING PART OF THE SECOND ARTICLE 1, 1905          (Registration as of May 15, 1951)</p>	
Common Capital Stock	Par Amount Outstanding
One Share at \$50 Par Value each	\$ 50.00
Preferred Stock	
At Par	\$5.00
Total Capitalization as of May 15, 1951	\$ 55.00

Merged and Consolidated under an agreement  
Dated March 15-1905

<p>RED LION ELECTRIC LIGHT COMPANY          INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF MASS.          LEADING STREET BOSTON MAY 19, 1904          Registration on 26 March 17, 1907</p>	
<p>Common Capital Stock          \$1,000,000 + \$750</p>	<p>Per Share          \$ 8.100</p>

Phoenix & Quartz Springs cells built and Standard Electric Light Company under contract of Installation and Standard Electric Light Co.	Current Status 1. 1000000 2. 1000000 3. 1000000
Name of Company Standard Electric Light Co. Standard Electric Light Co. Standard Electric Light Co.	Latest Report Date: 10/10/1918 Date: 10/10/1918 Date: 10/10/1918
Location of Property Phoenix, Arizona Phoenix, Arizona Phoenix, Arizona	Date of Report Date: 10/10/1918 Date: 10/10/1918 Date: 10/10/1918
Title	Date of Report

1198-1211



EDISON LIGHT AND POWER COMPANY  
1936 INCREMENT COST OF SERVICE TO  
YORK RY. CO. AND PROFIT TO EDISON LIGHT & POWER CO.

	<u>KWH</u> <u>(1)</u>	<u>Total</u> <u>Cost</u> <u>(2)</u>	<u>Cost Per</u> <u>KWH</u> <u>(3)</u>	<u>Total</u> <u>Profit</u> <u>(4)</u>
1 1936 Power Used by York Ry. Co.	4,232,300	\$ 38,091	\$ .00900	
2 1936 Total Power Purchased by Respondent*	71,151,000	548,244	.00771	
3 Purchased Power Without Ry. Load	66,918,700	522,435	.00781	
4 Increment Cost-York Ry. Load	4,232,300	25,803	.00610	
5 Gross Profit on Sales to York Railway Co. Col. (2) Line 1 minus Line 4		12,282		
6 Maintenance Cost Conversion Equipment-Average of 1935 and 1936 Costs		615		
7 Net Profit on Power Sales to York Railway Company		\$ 11,667		\$11,667

\*Exclusive of Glatfelter and Miscellaneous Customers

VALUE TO EDISON LIGHT AND POWER COMPANY  
OF CORRECTIVE EFFECT OF RAILWAY LOAD ON SYSTEM POWER FACTOR IN 1936

	<u>(5)</u>
8 Total Purchased and Generated 1936	75,976,100 kwh
9 York Railway load supplied at Central Plant (at 98% leading power factor)	3,301,900 "
10 Total Purchased and Generated, exclusive of York Railway load at Central Plant (This load is at 67% lagging power factor)	71,774,200 "
11 Portion of load corrected to 80% lagging power factor by Railway load	8,678,100 "
12 Remaining load, the power factor of which is corrected by condensers	63,096,100 "
13 Total annual Cost of power factor correction by condensers	\$ 18,025.00
14 Cost per kwh of power factor correction $18,025 \div 63,096,100$	\$ .0002857
15 Credit to Railway load for correction $8,678,100 \times .0002857$	\$ 2,479
16 Credit to Railway load due to requiring no correction $3,301,900 \times .0002857$	

	(1)	(2)	(3)	(4)
1 1936 Power Used by York Ry. Co.	4,232,300	\$ 38,091	\$ .00900	
2 1936 Total Power Purchased by Respondent*	71,151,000	548,244	.00771	
3 Purchased Power Without Ry. Load	66,918,700	522,435	.00781	
4 Increment Cost-York Ry. Load	4,232,300	25,809	.00610	
5 Gross Profit on Sales to York Railway Co. Col. (2) Line 1 minus Line 4		12,282		
6 Maintenance Cost Conversion Equipment-Average of 1935 and 1936 Costs		615		
7 Net Profit on Power Sales to York Railway Company		\$ 11,667	\$ 11,667	

\*Exclusive of Glatfelter and Miscellaneous Customers

VALUE TO EDISON LIGHT AND POWER COMPANY  
OF CORRECTIVE EFFECT OF RAILWAY LOAD ON SYSTEM POWER FACTOR IN 1936

	(5)	
8 Total Purchased and Generated 1936	75,076,100 kwh	
9 York Railway load supplied at Central Plant (at 90% leading power factor)	3,301,900 "	
10 Total Purchased and Generated, exclusive of York Railway load at Central Plant (This load is at 67% lagging power factor)	71,774,200 "	
11 Portion of load corrected to 80% lagging power factor by Railway load	8,678,100 "	
12 Remaining load, the power factor of which is corrected by condensers	63,096,100 "	
13 Total annual Cost of power factor correction by condensers	\$ 18,025.00	
14 Cost per kwh of power factor correction $18,025 \div 63,096,100$	\$ .0002857	
15 Credit to Railway load for correction $8,678,100 \times .0002857$	\$ 2,479	
16 Credit to Railway load due to requiring no correction $3,301,900 \times .0002857$	943	
17 Total Credit	\$ 3,422	\$ 3,422
18 Total		\$ 15,089

**EDISON LIGHT AND POWER COMPANY**  
**STATEMENT SHOWING THE DERIVATION OF THE COST AND PROFIT ARISING FROM THE SALE OF**  
**POWER SUPPLIED TO THE YORK RAILWAYS COMPANY**  
**DURING THE YEAR ENDED DECEMBER 31, 1936**

Line No.	Demand			Demand Charge			Energy			Energy Charge			Total Charge Without St. Ry. Load		
	Purchased KW	Railway KW Coincident	Purchased Less: Ry. KW	First 5,000 KW @ \$1.25	Over 5,000 KW @ \$1.00	Total Demand Charge Without Ry.	Purchased KWH	Railway KWH	Purchased Less Ry KWH	100 Hrs of Demand @ \$.006	2,500,000 KWH @ \$.005	Balance KWH @ \$.004		Total Energy Charge	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		(13)	
1	January	13,300	750	12,550	\$ 6,250	\$ 7,550	\$ 13,800	5,385,000	382,080	5,002,920	\$ 7,530	\$ 12,500	\$ 4,992	\$ 25,022	\$ 38,822
2	February	12,600	850	11,750	6,250	6,750	13,000	4,805,000	475,700	4,329,300	7,050	12,500	2,617	22,167	35,167
3	March	13,900	550	13,350	6,250	8,350	14,600	5,257,000	364,910	4,892,090	8,010	12,500	4,228	24,738	39,336
4	April	14,000	650	13,350	6,250	8,350	14,600	5,292,000	338,560	4,953,440	8,010	12,500	4,474	24,984	39,584
5	May	15,300	450	14,850	6,250	9,850	16,100	5,696,000	315,970	5,380,030	8,910	12,500	5,580	26,990	43,090
6	June	15,200	450	14,750	6,250	9,750	16,000	5,858,000	249,510	5,608,490	8,850	12,500	6,534	27,884	43,884
7	July	15,900	450	15,450	6,250	10,450	16,700	6,210,000	359,010	5,850,990	9,270	12,500	7,224	28,994	45,694
8	August	16,500	450	16,050	6,250	11,050	17,300	6,490,000	309,030	6,180,970	9,530	12,500	8,304	30,434	47,734
9	September	16,500	650	15,850	6,250	10,850	17,100	6,536,000	305,820	6,230,180	9,110	12,500	8,581	30,591	47,691
10	October	16,300	650	15,650	6,250	10,650	16,900	6,678,000	351,700	6,526,300	9,390	12,500	9,845	31,735	48,635
11	November	16,700	750	15,950	6,250	10,950	17,200	6,190,000	367,420	5,822,580	9,570	12,500	6,910	28,980	46,180
12	December	16,000	750	15,250	6,250	10,250	16,500	6,554,000	412,590	6,141,410	9,150	12,500	8,466	30,116	46,616
Total		182,200	7,400	174,800	\$ 75,000	\$ 114,800	\$ 189,800	71,151,000	4,232,300	66,918,700	\$ 164,880	\$ 150,000	\$ 77,755	\$ 332,635	\$ 522,435

\*Does not include Gladfelter and Miscellaneous Customers



**EDISON LIGHT AND POWER COMPANY**  
**STATEMENT SHOWING THE DERIVATION OF THE COST AND PROFIT ARISING FROM THE SALE OF**  
**POWER SUPPLIED TO THE YORK RAILWAYS COMPANY**  
**DURING THE YEAR ENDED DECEMBER 31, 1936**

Demand Charge			Energy			Energy Charge				Determination of the Resulting Cost and Profit of Power Used for Railway Purposes				
1,000 Over 5,000 KWH @ \$1.00 (4)	Total Demand Charge With- out Ry. (5)	Purchased KWH (7)	Railway KWH (8)	Purchased Less Ry KWH (9)	100 Hrs of Demand @ \$.006 (10)	2,500,000 KWH @ \$.005 (11)	Balance KWH @ \$.004 (12)	Total Energy Charge (13)	Total Charge Without St. Ry. Load (14)	Total Charge Including Railway Load* (15)	Increment Cost of the Railway Power (16)	Actual Revenue Received For Railway Power (17)	Actual Profit Received For Railway Power (18)	
0,250	\$ 7,550	\$ 13,800	5,385,000	382,080	5,002,920	\$ 7,530	\$ 12,500	\$ 4,992	\$ 25,022	\$ 38,822	\$ 41,250	\$ 2,428	\$ 3,439	\$ 1,011
0,250	6,750	13,000	4,805,000	475,700	4,329,300	7,050	12,500	2,617	22,167	35,167	36,090	2,923	4,261	1,358
0,250	8,350	14,600	5,257,000	364,910	4,892,090	8,010	12,500	4,226	24,736	39,336	41,456	2,120	3,284	1,164
0,250	8,350	14,600	5,292,000	338,560	4,953,440	8,010	12,500	4,474	24,984	39,584	41,718	2,134	3,047	913
0,250	9,850	16,100	5,646,000	315,970	5,380,030	8,910	12,500	5,580	26,090	43,090	44,894	1,804	2,844	1,046
0,250	9,750	16,000	5,858,000	249,510	5,608,490	8,850	12,500	6,534	27,884	43,884	45,422	1,538	2,246	708
0,250	10,450	16,700	6,210,000	359,010	5,850,990	9,270	12,500	7,224	28,994	45,694	47,670	1,976	3,231	1,255
0,250	11,050	17,300	6,490,000	309,030	6,180,970	9,630	12,500	8,304	30,434	47,734	49,510	1,776	2,781	1,005
0,250	10,850	17,100	6,536,000	305,820	6,230,180	9,510	12,500	8,581	30,591	47,691	49,694	2,003	2,753	750
0,250	10,650	16,900	6,676,000	351,700	6,526,300	9,390	12,500	9,845	31,735	48,635	50,822	2,187	3,165	978
0,250	10,950	17,200	6,190,000	367,420	5,822,580	9,570	12,500	6,916	28,980	46,180	48,550	2,370	3,307	927
0,250	10,250	16,500	6,554,000	412,590	6,141,410	9,150	12,500	8,466	30,116	46,616	49,166	2,550	3,713	1,163
5,000	\$ 114,800	\$ 189,800	71,151,000	4,272,300	66,918,700	\$ 104,880	\$ 150,000	\$ 77,755	\$ 332,635	\$ 522,435	\$ 548,244	\$ 25,809	\$ 38,091	\$ 12,262

**WATER LIGHT AND POWER COMPANY**  
**SUMMARY OF REPRODUCTION COST ESTIMATE**  
**INDICATIONS SHOWING REVALUATION OF PROPERTY**  
**AND THE COSTS IN THE PUBLIC SERVICE**

Exhibit No. **9**  
Page 1 of 6

Asset No.	Description	Total Reproduction Cost All Property	Property Not Used or Useful in The	Estimated Reproduction Cost Not Useful Property	Reproduction	
		117	Public Service 127	137	147	157
<b>Undistributed Fixed Capital</b>						
200	Organization	60,812	866	613	67,333	67,333
<b>Steam Generating System</b>						
204	Land	24,137	-	-	24,137	24,137
207	Structures	221,800	-	-	221,800	221,800
208	Boiler Plant Equipment	536,412	5,880	-	533,453	533,453
210	Steam Engines and Turbines	152,212	16,123	-	140,089	140,089
211	Turbo Generators	157,212	3,460	27,020	126,732	126,732
212	Other Electric Generators	277,212	-	1,600	275,612	275,612
213	Other Electric Equipment	17,212	-	-	17,212	17,212
214	Coal Storage and Weighing Equipment	10,510	-	-	10,510	10,510
215	Other Power Plant Equipment	10,510	-	-	10,510	9,006
<b>Transmission System</b>						
217	Land	11,285	-	-	11,285	11,285
219	Rights of Way	22,285	-	-	22,285	22,285
220	Transmission System Structures	22,285	-	-	22,285	22,285
221	Substation Equipment	22,285	-	-	22,285	22,285
222	Poles and Fittings	12,285	-	-	12,285	12,285
223	Overhead Conductors	12,285	-	11,211	1,074	1,074
224	Overhead Telephone System	12,285	-	-	12,285	12,285
225	Underground Conductors	12,285	-	-	12,285	12,285
<b>Distribution System</b>						
226	Rights of Way	22,285	-	-	22,285	22,285
227	Poles and Fittings	22,285	-	-	22,285	22,285
228	Overhead Conductors	22,285	-	-	22,285	22,285
229	Overhead Transformers	22,285	-	-	22,285	22,285
230	Overhead Transformer Installations	22,285	-	-	22,285	22,285
231	Overhead Services	22,285	-	-	22,285	22,285
232	Underground Conductors	22,285	-	-	22,285	22,285
233	Underground Services	22,285	-	-	22,285	22,285
234	Motors	22,285	-	-	22,285	22,285
235	Motor Installations	22,285	-	-	22,285	22,285
<b>Utilization System</b>						
273	Municipal Street Incandescent System	246,118	-	-	246,118	246,118
274	Other Utilization Equipment	246,118	-	-	246,118	246,118
<b>General Property</b>						
275	General Office Land	113,625	-	-	113,625	113,625
276	General Office Structures	113,625	-	-	113,625	113,625
277	General Office Equipment	113,625	-	-	113,625	113,625
278	General Shop Equipment	113,625	-	-	113,625	113,625
279	General Garage Equipment	113,625	-	-	113,625	113,625
280	General Laboratory Equipment	113,625	-	-	113,625	113,625
281	General Tools and Implements	113,625	-	-	113,625	113,625
<b>Undistributed Construction Expenditures</b>						
282	Engineering and Superintendence During Construction	206,496	2,408	1,817	202,271	202,271
283	General Office's and Clerk's Salaries During Construction	206,496	478	-	205,018	205,018
284	General Office's and Clerk's Expenses During Construction	206,496	478	-	205,018	205,018
285	Office Supplies and Expenses During Construction	206,496	144	-	206,352	206,352
286	Law Expenses During Construction	206,496	208	-	206,288	206,288
287	Injuries and Damages During Construction	206,496	208	-	206,288	206,288
288	Insurance During Construction	206,496	208	-	206,288	206,288
289	Taxes During Construction	206,496	208	-	206,288	206,288
290	Interest During Construction	206,496	208	-	206,288	206,288
291	Discount and Expense (Cost of Financing)	206,496	208	-	206,288	206,288
<b>Total Reproduction Cost (Exclusive of Working Capital and Going Concern Value)</b>						
		85,698,496	873,673	50,687	85,572,136	85,572,136

# REPORT AND APPROPRIATION OF THE PUBLIC SERVICE

Asset No.	Description	Total Reproduction Cost All Property (1)	Property Not Used or Useful in The Public Service (2)	Adjustments (3)	Estimated Reproduction Cost Not Useful Property (4) (5)	
<b>Undistributed Fixed Capital</b>						
200	Organization	\$ 68,612	\$ 866	\$ 613	\$ 67,333	\$ 67,333
<b>Power Generation System</b>						
204	Land	22,137	-	-	22,137	22,137
207	Structures	221,888	-	-	221,888	221,888
208	Railroad Sittings and Trestles	358,552	-	-	358,552	358,552
209	Boiler Plant Equipment	128,552	5,889	-	122,663	122,663
210	Steam Engines and Turbines	128,552	31,957	-	96,595	96,595
211	Turbo Generators	128,552	-	-	128,552	128,552
212	Other Electric Generators	128,552	16,323	27,070	85,159	85,159
213	Other Electric Equipment	271,528	3,888	1,680	265,960	265,960
214	Coal Storage and Weighing Equipment	10,510	-	-	10,510	10,510
215	Other Power Plant Equipment	10,510	-	-	10,510	10,510
<b>Transmission System</b>						
217	Land	11,885	-	-	11,885	11,885
219	Rights of Way	1,885	-	-	1,885	1,885
224	Transmission System Structures	22,137	-	-	22,137	22,137
221	Substation Equipment	128,552	-	-	128,552	128,552
222	Lines and Poles	128,552	-	-	128,552	128,552
223	Overhead Conductors	128,552	-	-	128,552	128,552
224	Overhead Telephone System	128,552	-	-	128,552	128,552
225	Underground Conductors	128,552	-	-	128,552	128,552
226	Underground Equipment	128,552	-	-	128,552	128,552
<b>Distribution System</b>						
229	Rights of Way	128,552	-	-	128,552	128,552
232	Lines and Poles	128,552	-	-	128,552	128,552
233	Overhead Conductors	128,552	-	-	128,552	128,552
234	Overhead Transformers	128,552	-	-	128,552	128,552
235	Overhead Transformer Installations	128,552	-	-	128,552	128,552
236	Overhead Services	128,552	-	-	128,552	128,552
237	Underground Conductors	128,552	-	-	128,552	128,552
238	Underground Equipment	128,552	-	-	128,552	128,552
239	Meters	128,552	-	-	128,552	128,552
240	Meter Installations	128,552	-	-	128,552	128,552
<b>Utilization System</b>						
243	Municipal Street Improvement System	246,118	-	-	246,118	246,118
244	Other Utilization Equipment	246,118	-	-	246,118	246,118
<b>General Property</b>						
247	General Office Land	113,625	-	-	113,625	113,625
248	Other General Land	27,350	-	-	27,350	27,350
249	General Office Structures	110,405	-	-	110,405	110,405
250	Other General Structures	62,578	-	-	62,578	62,578
251	General Office Equipment	57,724	-	-	57,724	57,724
252	General Store Equipment	8,425	-	-	8,425	8,425
253	General Shop Equipment	8,425	-	-	8,425	8,425
254	General Garage Equipment	21,063	729	-	20,334	20,334
255	General Laboratory Equipment	21,063	-	-	21,063	21,063
256	General Tools and Implements	8,425	-	-	8,425	8,425
<b>Undistributed Construction Expenditures</b>						
258	Engineering and Superintendence During Construction	206,436	2,598	1,877	201,961	201,961
259	General Office's and Clerk's Salaries During Construction	84,075	1,000	1,000	82,075	82,075
260	General Office's and Clerk's Expenses During Construction	34,806	415	415	33,976	33,976
261	Office Supplies and Expenses During Construction	11,669	144	144	11,381	11,381
262	Law Expenses During Construction	22,337	268	268	21,801	21,801
263	Injuries and Damages During Construction	22,337	268	268	21,801	21,801
264	Insurance During Construction	22,337	268	268	21,801	21,801
265	Taxes During Construction	22,337	268	268	21,801	21,801
266	Interest During Construction	22,337	268	268	21,801	21,801
267	Discount and Expense (part of Financing)	22,337	268	268	21,801	21,801
<b>Total Reproduction Cost (Exclusive of Working Capital and Going Concern Value)</b>						
		\$5,698,494	\$ 71,673	\$ 50,687	\$ 5,576,134	\$ 5,576,134

Note:  
Amounts shown in columns (2) and (3) are deductions from amounts shown in column (1). The items comprising the amounts included in columns (2) and (3) for direct costs, are shown on the supporting schedules attached hereto.



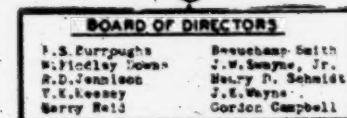
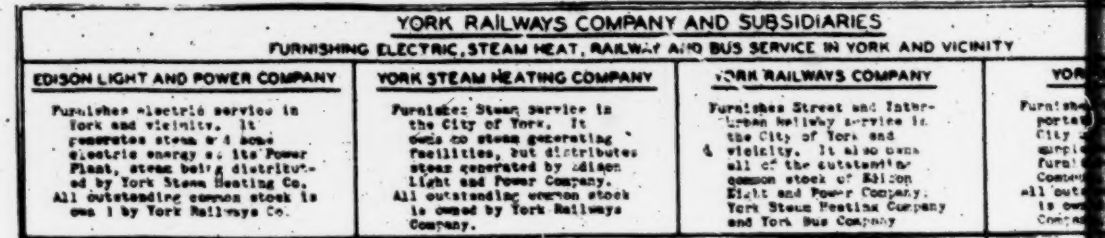
[fol. 1220] **RESPONDENTS' EXHIBIT 9, SHEET 1**  
**Edison Light and Power Company**  
**Summary of Original Cost Estimates**  
**Property as it Existed November 30, 1936**

Acct. No.	Description	Estimated Original Cost
	Undistributed Fixed Capital:	
200	Organization.....	\$62,472
	Steam Generating System:	
204	Land.....	29,224
207	Structures.....	111,644
209	Boiler Plant Equipment.....	195,457
210	Steam Engines and Turbines.....	48,490
211	Turbo Generators.....	88,014
212	Other Electric Generators.....	101,685
213	Other Electric Equipment.....	255,697
214	Coal Storage and Weighing Equipment.....	12,681
215	Other Power Plant Equipment.....	7,131
	Transmission System:	
237	Land.....	12,672
239	Rights of Way.....	2,708
240	Transmission System Structures.....	20,843
241	Substation Equipment.....	415,256
242	Poles and Fixtures.....	102,425
243	Overhead Conductors.....	127,268
244	Overhead Telephone System.....	549
245	Underground Conduits.....	21,006
246	Underground Conductors.....	8,711
	Distribution System:	
254	Rights of Way.....	846
256	Poles and Fixtures.....	598,739
257	Overhead Conductors.....	504,634
258	Overhead Transformers.....	394,091
259	Overhead Transformer Installations.....	16,537
260	Overhead Services.....	156,837
262	Underground Conductors.....	7,025
266	Meters.....	292,681
267	Meter Installations.....	34,065
	Utilization System:	
273	Municipal Street Incandescent System.....	216,014
274	Other Utilization Equipment.....	43,277
	General Property:	
275	General Office Land.....	50,490
276	Other General Land.....	20,004
278	General Office Structures.....	93,724

## Respondents' Exhibit 9, Sheet 1—Continued

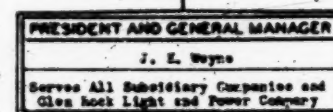
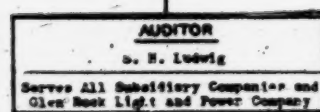
Acct. No.	Description	Estimated Original Cost
General Property:—Continued		
279	Other General Structures .....	24,121
280	General Office Equipment .....	55,000
281	General Store Equipment .....	3,376
282	General Shop Equipment .....	5,523
284	General Garage Equipment .....	61,662
285	General Laboratory Equipment .....	20,449
286	General Tools and Implements .....	4,213
[fols. 1221-1224]		
Undistributed Construction Expenditures:		
288	Engineering and Superintendence During Construction .....	124,943
289	General Officer's and Clerk's Salaries During Construction .....	41,648
290	General Officer's and Clerk's Expenses During Construction .....	31,236
291	Office Supplies and Expenses During Construction .....	10,412
292	Law Expenditures During Construction .....	20,824
293	Injuries and Damages During Construction .....	41,648
294	Insurance During Construction .....	10,412
295	Taxes During Construction .....	20,824
296	Interest During Construction .....	135,876
...	Discount and Expense (Cost of Financing) .....	349,880
Total Original Cost .....		<u>\$5,014,944</u>

(Here follows one photolithograph, side folios 1225-1248)



**ADMINISTRATIVE OFFICERS**  
Distribution of Salaries and Insurance

Joint Utilities	Per Cent of Total	Annual		Total
		Salaries	Insurance	
Edison Light & Power	73.2	\$ 21,000	\$ 595	\$ 21,595
York Steam Heat	4.4	2,800	80	2,880
York Railways	10.0	2,800	80	2,880
York Bus	2.4	1,800	50	1,850
Sub-Total	90.0	28,600	705	29,305
Glen Rock L. & P.	10.0	1,800	50	1,850
Total	100.0	\$ 30,400	\$ 755	\$ 31,155



**GENERAL OFFICE CLERKS  
(ACCOUNTING DEPARTMENT)**  
Distribution of Salaries and Insurance

Joint Utilities	Per Cent of Total	Annual		Total
		Salaries	Insurance	
Edison Light & Power	73.2	\$ 15,866	\$ 605	\$ 16,471
York Steam Heat	4.4	1,122	46	1,168
York Railways	10.0	2,682	102	2,784
York Bus	2.4	656	24	680
Sub-Total	90.0	20,326	777	21,103
Glen Rock L. & P.	10.0	1,122	46	1,168
Total	100.0	\$ 21,448	\$ 823	\$ 22,271

Personnel Included Above

No. of Employees	Functional Occupation	Annual Salaries
1	Assistant Auditor	\$ 3,300
1	Accountant	2,400
1	Statistician	1,800
1	Bookkeeper	1,020
1	Voucher Clerk	2,640
2	Time Clerks	1,840
1	Payroll Clerk	1,260
1	General Accounting Clerk	1,020
1	Associate Receivable Bookkeeper	1,020

**SUPERINTENDENCE OF POWER AND TRANSMISSION**  
Distribution of Salaries and Insurance

Joint Utilities	Per Cent of Total	Annual		Total
		Salaries	Insurance	
Edison Light & Power	21.3	\$ 5,466	\$ 213	\$ 5,679
York Steam Heat	13.3	913	36	949
York Railways	2.4	171	12	183
York Bus	-	-	-	-
Sub-Total	37.0	6,550	261	6,811
Glen Rock L. & P.	2.0	200	7	207
Total	100.0	\$ 6,750	\$ 268	\$ 7,018

Personnel Included Above

No. of Employees	Functional Occupation	Annual Salaries
1	Superintendent and Asst. Safety Engineer	\$ 4,800
1	Clerk	1,507
1	Typist	183
3	Total Joint Power and Transmission Employees	\$ 6,490

**SUPERINTENDENCE OF DISTRIBUTION**  
Distribution of Salaries and Insurance

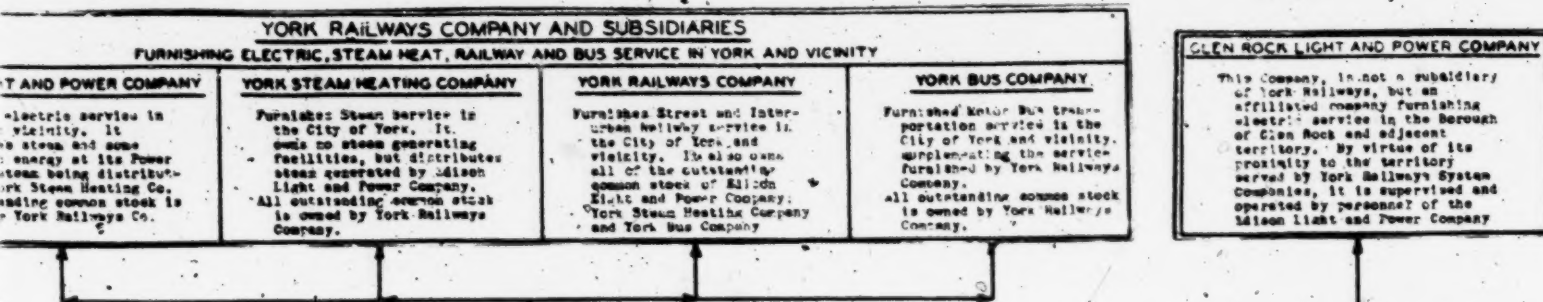
Joint Utilities	Per Cent of Total	Annual		Total
		Salaries	Insurance	
Edison Light & Power	81.2	\$ 13,653	\$ 519	\$ 14,172
York Steam Heat	-	-	-	-
York Railways	-	-	-	-
York Bus	-	-	-	-
Sub-Total	81.2	13,653	519	14,172
Glen Rock L. & P.	18.8	3,198	119	3,317
Total	100.0	\$ 16,851	\$ 638	\$ 17,489

Personnel Included Above

No. of Employees	Functional Occupation	Annual Salaries
1	Superintendent of Distribution	\$ 4,800
1	Dist. Dept. Engineer	3,600
2	Dist. Dept. Clerks	2,142
1	Dist. Dept. Typist	1,065
1	Superintendent of Meter Dept.	1,182
6	Total Joint Dist. Employees	\$ 12,799





**BOARD OF DIRECTORS**

J. S. Burroughs	Beauchamp Smith
W. H. Dwyer, Jr.	J. W. Wayne, Jr.
R. D. Jeannison	Henry D. Schmidt
V. K. Keeney	J. K. Wayne
Harry Reid	Gordon Campbell

**BOARD OF DIRECTORS**

J. S. Burroughs	Beauchamp Smith
W. H. Dwyer, Jr.	J. W. Wayne, Jr.
R. D. Jeannison	Henry D. Schmidt
V. K. Keeney	J. K. Wayne
Harry Reid	P. K. Russell

**ADMINISTRATIVE OFFICERS**  
Distribution of Salaries and Insurance

Joint Utilities	Per Cent of Total	Annual		
		Salaries	Insurance	Total
Edison Light & Power	75.0	\$ 21,000	\$ 595	\$ 21,595
York Steam Heat	5.0	1,500	50	1,550
York Railways	10.0	2,800	80	2,880
York Bus	5.0	1,500	75	1,575
Sub-Total	95.0	26,800	720	27,520
Glenn Rock L. & P.	5.0	1,500	75	1,575
<b>Total</b>	<b>100.0</b>	<b>\$ 28,300</b>	<b>\$ 795</b>	<b>\$ 29,095</b>

**PRESIDENT AND GENERAL MANAGER**  
J. E. Wayne  
Serves All Subsidiary Companies and Glenn Rock Light and Power Company

**VICE-PRESIDENT, TREASURER AND PURCHASING AGENT**  
E. A. Barnitz  
Serves All Subsidiary Companies and Glenn Rock Light and Power Company

**VICE-PRESIDENT AND SECRETARY**  
M. G. Stiers  
Serves All Subsidiary Companies and Glenn Rock Light and Power Company

**EDISON**

Total	\$ 5,800
Annual Salaries	\$ 4,800
Insurance	1,000
Total	\$ 5,800

**SUPERINTENDENCE OF DISTRIBUTION**  
Distribution of Salaries and Insurance

Joint Utilities	Per Cent of Total	Annual		
		Salaries	Insurance	Total
Edison Light & Power	81.3	\$ 13,553	\$ 519	\$ 14,072
York Steam Heat	1.3	2,100	50	2,150
York Railways	10.4	2,800	80	2,880
York Bus	5.2	1,500	75	1,575
Sub-Total	98.2	19,953	624	20,577
Glenn Rock L. & P.	1.8	2,100	119	2,219
<b>Total</b>	<b>100.0</b>	<b>\$ 22,053</b>	<b>\$ 743</b>	<b>\$ 22,796</b>

**Personnel Included Above**

No. of Employees	Functional Occupation	Annual Salaries
1	Superintendent of Distribution	\$ 4,800
1	Dist. Dept. Engineer	3,600
2	Dist. Dept. Clerks	6,192
1	Dist. Dept. Typist	1,056
1	Superintendent of Meter Dept.	3,160
<b>6</b>	<b>Total Joint Dist. Employees</b>	<b>\$ 18,708</b>

**ASSISTANT PURCHASING AGENT AND STORES DEPARTMENT**  
Distribution of Salaries and Insurance

Joint Utilities	Per Cent of Total	Annual		
		Salaries	Insurance	Total
Edison Light & Power	70.0	\$ 3,045	\$ 150	\$ 3,195
York Steam Heat	1.3	72	5	77
York Railways	10.4	924	35	959
York Bus	8.2	240	6	246
Sub-Total	90.0	5,181	196	5,377
Glenn Rock L. & P.	10.0	1,500	17	1,517
<b>Total</b>	<b>100.0</b>	<b>\$ 6,681</b>	<b>\$ 213</b>	<b>\$ 6,894</b>

**Personnel Included Above**

No. of Employees	Functional Occupation	Annual Salaries
1	Asst. Purchasing Agent	\$ 2,160
1	Stenographer	1,140
3	Stores Clerks	4,340
<b>5</b>	<b>Total Joint Stores Salaries</b>	<b>7,640</b>
	Less: Portion Charged to Merchandise Jobbing Clearing Account	-2,100

**COMMERCIAL DEPARTMENT**  
Distribution of Salaries and Insurance

Joint Utilities	Per Cent of Total	Annual		
		Salaries	Insurance	Total
Edison Light & Power	94.4	\$ 18,030	\$ 680	\$ 18,710
York Steam Heat	1.3	210	21	231
York Railways	10.4	924	35	959
York Bus	8.2	240	6	246
Sub-Total	94.3	19,404	742	20,146
Glenn Rock L. & P.	5.7	1,020	39	1,059
<b>Total</b>	<b>100.0</b>	<b>\$ 20,424</b>	<b>\$ 781</b>	<b>\$ 21,205</b>

**Personnel Included Above**

No. of Employees	Functional Occupation	Annual Salaries
1	Accountant	\$ 3,120
1	Stenographer	1,920
7	Clerks	7,560
1	Addressograph Operator	1,600
<b>10</b>	<b>Total Commercial General Labor</b>	<b>14,200</b>
2	Collection Manager	2,220

York Steam Heat	5.4	1,132	46	1,228
York Railways	1.2	2,566	77	2,643
Sub-Total	6.6	3,698	123	3,821
Glen Rock L. & P.	100.0	21,686	825	22,511
Total	106.6	25,384	948	26,332

No. of Employees	Functional Occupation	Annual Salaries
1	Assistant Auditor	\$ 1,100
1	Accountant	2,420
1	Statistician	1,600
1	Bookkeeper	1,250
1	Voucher Clerk	2,540
1	Time Clerk	1,240
1	Payroll Clerk	1,260
1	General Accounting Clerk	1,020
1	Accounts Receivable Bookkeeper	1,140
1	Bookkeeper	1,020
1	Typist	300
1	Office and Mail Boy	1,266
2	Clerks	2,186
15	Total Joint Accounting	\$ 21,686

York Bus	2.9	200	7	207
Glen Rock L. & P.	100.0	6,880	261	7,141
Total	102.9	7,080	268	7,348

No. of Employees	Functional Occupation	Annual Salaries
1	Superintendent and Asst. Safety Engineer	\$ 4,800
1	Clerk	1,597
1	Typist	857
3	Total Joint Power and Transmission Employees	\$ 6,880

Glen Rock L. & P.	100.0	16,767	638	17,405
Total	100.0	16,767	638	17,405

No. of Employees	Functional Occupation	Annual Salaries
1	Superintendent of Distribution	\$ 4,800
1	Dist. Dept. Engineer	3,600
2	Dist. Dept. Clerk	1,142
1	Dist. Dept. Typist	1,065
1	Superintendent of Meter Dept.	3,160
6	Total Joint Dist. Employees	\$ 16,767

LEGAL DEPARTMENT				
Distribution of Retainer Fee				
Joint Utilities	Per Cent of Total	Salaries	Insurance	Total
Edison Light & Power	75.0	\$ 2,250	\$ 75	\$ 2,325
York Steam Heat	5.0	150	16	166
York Railways	10.0	300	16	316
York Bus	5.0	150	5	155
Sub-Total	95.0	2,850	92	2,942
Glen Rock L. & P.	5.0	150	5	155
Total	100.0	\$ 3,000	\$100	\$ 3,100

No. of Employees	Functional Occupation	Annual Salaries
1	Attorney	\$ 3,000

OTHER GENERAL OFFICE PERSONNEL				
Distribution of Salaries and Insurance				
Joint Utilities	Per Cent of Total	Salaries	Insurance	Total
Edison Light & Power	75.4	\$ 4,752	\$ 181	\$ 4,933
York Steam Heat	7.7	457	17	474
York Railways	8.3	521	20	541
York Bus	3.5	221	5	226
Sub-Total	94.9	5,951	223	6,174
Glen Rock L. & P.	5.1	329	12	341
Total	100.0	\$ 6,280	\$ 235	\$ 6,515

No. of Employees	Functional Occupation	Annual Salaries
1	Administrative Secretary	\$ 3,050
1	Janitor	2,240
1	Telephone Operator	560
3	Total Joint Other General Office Salaries	\$ 6,290

S U M M A R Y						
Chart No.	Department	Joint Employees (1)	York Steam Heating (2)	York Railways (3)	York Bus (4)	Glen Rock L. & P. (5)
1	Superintendence of Power and Transmission	3	\$ 948	\$ 177	\$ -	\$ 207
2	Superintendence of Distribution	6	-	-	-	3,253
3	(Commercial Department)	14	654	31	31	1,059
4	(New Business Department)	4	691	-	-	916
5	Administrative Officers	4	1,440	2,880	1,439	1,439
6	Joint General Office Clerks (Accounting)	25	1,228	2,784	660	1,370
7	Other Joint General Office Personnel	2	484	541	229	341
8	Legal Department	1	155	310	155	155
	Asst. Purchasing Agent and Stores	5	75	959	249	473
	Total	57	\$ 5,675	\$ 7,682	\$ 2,743	\$ 9,213
	Per Cent of Total		4.6	6.2	2.2	7.5

Note: The total of Column (6) represents the extent to which the supervision and other operating expenses of Edison Light and Power Company have been absorbed by the other jointly operated utilities, on the basis of results for the year ended December 31, 1936.

## LEGEND

- 1 JOINT SUPERINTENDENCE OF POWER AND TRANSMISSION PERSONNEL
- 2 JOINT SUPERINTENDENCE OF DISTRIBUTION PERSONNEL
- 3 JOINT COMMERCIAL AND NEW BUSINESS DEPARTMENT PERSONNEL
- 4 JOINT ADMINISTRATIVE OFFICERS
- 5 JOINT GENERAL OFFICE PERSONNEL (ACCOUNTING)
- 6 OTHER GENERAL OFFICE PERSONNEL
- 7 LEGAL PERSONNEL
- 8 JOINT PURCHASING AND STORES PERSONNEL
- 9 JOINT BOARD OF DIRECTORS YORK RAILWAYS & SUBSIDIARIES
- 10 JOINT BOARD OF DIRECTORS GLEN ROCK LIGHT & POWER COMPANY

EDISON L

## DISTRIBUTION OF SALARIES OF OFFICERS ON THE BASIS OF SERVICES RENDERED



York Bus				
Sub-Total	14.3	11,654	510	14,172
Glen Rock L. & P.		3,125		3,253
Total	100.0	\$ 16,779	\$ 658	\$ 17,437

Personnel Included Above		
No. of Employees	Functional Occupation	Annual Salaries
1	Superintendent of Distribution	\$ 4,000
1	Dist. Lept. Engineer	3,600
2	Dist. Dept. Clerks	4,342
1	Dist. Dept. Typist	1,085
1	Superintendent of Meter Dept.	3,150
6	Total Joint Dist. Employees	\$ 16,787

York Railways	10.4	924	35	959
York Bus	4.2	340		340
Sub-Total	91.0	5,184	197	5,381
Glen Rock L. & P.	8.1	456	17	473
Total	100.0	\$ 5,640	\$ 214	\$ 5,854

Personnel Included Above		
No. of Employees	Functional Occupation	Annual Salaries
1	Asst. Purchasing Agent	\$ 2,160
1	Stenographer	1,140
3	Stores Clerks	4,440
5	Total Joint Stores Salaries	7,740
	Less: Portion Charged to Merchandise Jobbing Clearing Account	-2,100
5	Total Joint General Stores Salaries	\$ 5,640

York Railways	10.4	924	35	959
York Bus	4.2	340		340
Sub-Total	91.0	5,184	197	5,381
Glen Rock L. & P.	8.1	456	17	473
Total	100.0	\$ 5,640	\$ 214	\$ 5,854

Personnel Included Above		
No. of Employees	Functional Occupation	Annual Salaries
1	Accountant	\$ 3,120
1	Stenographer	1,900
1	Clerks	2,660
1	Addressograph Operator	1,600
10	Total Commercial General Labor	13,620
1	Collection Manager	2,220
1	Collection Dept. Clerk	1,140
1	Collector	1,620
1	Stenographer	1,140
4	Total Contract Department Labor	6,120
14	Total Joint Commercial Department	\$ 19,740

NEW BUSINESS DEPARTMENT			
Distribution of Salaries and Insurance			
Joint Utilities	Per Cent of Total	Salaries	Insurance
Edison Light & Power	86.1	\$ 9,756	\$ 372
York Steam Heat	5.6	672	19
York Railways	-	-	-
York Bus	-	-	-
Sub-Total	92.2	10,428	391
Glen Rock L. & P.	7.8	882	44
Total	100.0	\$ 11,310	\$ 435

Personnel Included Above		
No. of Employees	Functional Occupation	Annual Salaries
1	New Business Manager	\$ 4,800
1	Clerk	2,640
1	Stenographer	1,500
3	Total New Business Management	8,940
1	Rural Line Representative	2,430
4	Total Joint New Business Department	\$ 11,370

S U M M A R Y								
	Joint Employees (1)	York Steam Heating (2)	York Railways (3)	York Bus (4)	Glen Rock L. & P. (5)	Sub-Total (6)	Edison Light & Power (7)	Combined Total (8)
Transmission	3	\$ 948	\$ 177	\$ -	\$ 207	\$ 1,332	\$ 5,809	\$ 7,141
Accounting)	14	654	31	31	3,253	3,253	14,172	17,425
Personnel	4	691	-	-	1,059	1,775	18,715	20,490
Stores	4	1,440	2,880	1,439	916	1,607	10,158	11,765
	15	1,228	2,784	660	1,439	7,198	21,595	28,793
	5	484	541	229	1,370	6,042	16,469	22,511
	1	155	310	155	341	1,595	4,933	6,528
	5	75	959	249	473	1,756	2,325	3,100
	57	\$ 5,675	\$ 7,682	\$ 2,743	\$ 9,213	\$ 25,333	\$ 98,274	\$123,607
		4.6	6.2	2.2	7.5	20.5	79.5	100

(6) represents the extent to which the supervision and other operating salaries of personnel of company have been absorbed by the other jointly operated utilities, on the basis of operating record December 31, 1936.

## EDISON LIGHT AND POWER COMPANY

CHART SHOWING

DISTRIBUTION OF SALARIES OF OFFICERS AND EMPLOYEES TO THE VARIOUS CLASSES OF UTILITIES  
ON THE BASIS OF SERVICES RENDERED DURING THE YEAR ENDED DECEMBER 31, 1936

DAY & ZIMMERMANN, INC.  
ENGINEERS  
NEW YORK PHILADELPHIA CHICAGO

1225-1248

(fols. 1249-1250)

## RESPONDENT'S EXHIBIT 15

## Edison Light and Power Company

Statement of Net Operating Earnings Adjusted to Show the Increase in Operating Expenses Which Would be Experienced by Edison Light and Power Company if the Present Joint-Operating Arrangement with Affiliated Companies with Respect to Services of Officers and Employees on a Proportionate Basis Were Not in Effect and if the Edison Light and Power Company Were Charged a Rental for Property Belonging to the York Railways Company Which It Now Uses.

Results for the Year Ended December 31, 1936

Net Operating Earnings as shown on Line (31) of Company Exhibit No. 14..... \$648,024

Deduct:

Summary of Distribution of Salaries and Insurance of Officers and Employees of Respondent to other jointly operated utilities, on the basis of operating results for the year ended December 31, 1936 as shown by Column (6) of Company Exhibit No. 12

Superintendence of Power and Transmission.....	\$1,332
Superintendence of Distribution.....	3,253
Commercial Department Operation.....	1,775
New Business Department Operation.....	1,607
Administrative Officers.....	7,198
General Office Accounting Clerks.....	6,042
Other General Office Personnel.....	1,595
Legal Department.....	775
Asst. Purchasing Agent and Stores Clerks.....	1,756

---

 \$25,333

Less: Salaries of the equivalent of 4 Accounting Department employees on an annual basis whose services would not be required by the Respondent on the basis of terminating the existing joint operating arrangement

1 Time Clerk.....	\$1,320
1 General Accounting Clerk.....	1,260
1 Bookkeeper.....	1,140
1 Office Clerk.....	1,020

---

 4,740

Estimated Rental for property belonging to the Railway Company and used by the Edison Light and Power Company as detailed in Company's Exhibit No. 10..... 18,794

---

 \$20,593

Net Operating Earnings as Adjusted..... 39,387

---

 \$608,637

EDISON LIGHT AND POWER COMPANY

DETERMINATION OF EXCESS OR DEFICIENCY OF INCOME OF PEOPLES ELECTRIC LIGHT COMPANY

BASED ON A RETURN OF 8% APPLIED TO FIXED CAPITAL AND WORKING CAPITAL INVESTMENT

Line No.	Period or Year	Determination of Base				Return of 8% Applied To Col. (E)	Determination of Net Earnings		
		Fixed Capital As Recorded On the Books (A)	Adjustments (B)	Adjusted Fixed Capital (C)	Estimated Working Capital (D)		Earnings Before Depreciation Provisions (G)	Estimated Depreciation (H)	Estimated Earnings After Depreciation Provision (I)
1	1886	**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	1887	**	-	-	-	-	-	-	-
3	1888	**	-	-	-	-	-	-	-
4	1889	**	50,657***	50,657	1,900	52,557	4,205	2,117	1,500
5	11/30/89 to 1/24/91	**	51,707***	51,707	2,000	53,707	5,013	4,271	1,800
6	1/24/91 to 4/30/92	**	53,259***	53,259	2,000	55,259	5,526	7,584	2,000
7	4/30/92 to 9/30/92	**	53,419***	53,419	2,000	55,419	1,847	4,972	700
8	9/30/92 to 9/30/93	**	59,384***	59,384	2,300	61,684	4,935	6,625	1,800
9	1894	\$ 66,666	7,429*	59,237	Property Acquired by Edison Electric Light Company of York in 1894				

\*Denotes Contra  
 \*\*Figures Not Available  
 \*\*\*Figures Obtained from Minute Book



Exhibit No. 17  
Sheet No. 1 of 5

ELECTRIC LIGHT COMPANY

LONG CAPITAL INVESTMENT

Determination of Net Earnings

<u>ings ore iation sions</u> (G)	<u>Estimated Depreciation</u> (H)	<u>Estimated Earnings After Depreciation Provisions</u> (I)	<u>Earnings in Excess or Deficient of an 8% Return</u> (J)
-	\$ -	\$ -	\$ -
-	-	-	-
2,117	1,500	617	3,588*
4,271	1,800	2,471	2,542*
7,584	2,000	5,584	58
4,972	700	4,272	2,425
6,625	1,800	4,825	110*
Company of York in 1894			

# MICROCARD

TRADE MARK 

22



MICROCARD<sup>®</sup>  
EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS, ON MICROCARD AND MICROFICHES  
901 TWENTY-SIXTH STREET, N.W., WASHINGTON, D.C. 20037, PHONE (202) 333-6393

319

38-69



EDISON LIGHT AND POWER COMPANY

DETERMINATION OF EXCESS OR DEFICIENCY OF INCOME OF WESTINGHOUSE ELECTRIC LIGHT HEAT & POWER COMPANY  
BASED ON A RETURN OF 8% APPLIED TO FIXED CAPITAL AND WORKING CAPITAL INVESTMENT

Line No.	Period or Year	Determination of Base					Return of 8% Applied To Col. (E)	Determination of Net Earnings		
		Fixed Capital As Recorded On the Books (A)	Adjustments (B)	Adjusted Fixed Capital (C)	Estimated Working Capital (D)	Total Col. (C) & (D) (E)		Earnings Before Depreciation Provisions (G)	Estimated Depreciation (H)	Depreciation (I)
1	10/1/92 to 12/31/92	\$ **	\$ 16,086***	\$ 16,086	\$ 1,800	\$ 17,886	\$ 358	\$ 2,674****	\$ 100	\$
2	1893	**	43,448***	43,448	1,800	45,248	3,620	3,035*	1,300	
3	1/4/94 to 12/4/94	**	43,448***	43,448	2,000	45,448	3,633	1,125*	1,200	
4	12/4/94 to 1/4/96	**	43,448***	43,448	1,800	45,248	3,621	5,626	1,400	
5	1/13/96 to 1/5/97	**	43,448***	43,448	1,600	45,048	3,604	5,679	1,300	
6	1/9/97 to 1/5/98	28,829	8,872	37,701	1,600	39,301	3,144	5,006	1,100	
7	1898	29,040	8,872	37,912	1,600	39,512	3,161	5,155	1,100	
8	1899	29,075	8,872	37,947	1,900	39,847	3,188	1,886	1,100	
9	1900	63,004	22,330*	40,674	1,700	42,374	3,390	2,314	1,200	
10	1901	66,038	22,330*	43,708	700	44,408	3,553	4,085	1,300	
11	1902	66,538	22,330*	44,208	700	44,908	3,593	1,099*	1,300	

\*Denotes Contra

\*\*Not Available

\*\*\*Based on Minute Book Statements

\*\*\*\*1892 and 1893 Loss Not Given Separately - 1893 Loss as Shown by Capital Stock Report Used and 1892 Loss Derived by Difference

TRIC LIGHT HEAT & POWER COMPANY  
NG CAPITAL INVESTMENT

<u>Determination of Net Earnings</u>			
<u>Earnings Before Depreciation Provisions</u>	<u>Estimated Depreciation</u>	<u>Estimated Earnings After Depreciation Provisions</u>	<u>Earnings in Excess or Deficient of an 8% Return</u>
<u>(G)</u>	<u>(H)</u>	<u>(I)</u>	<u>(J)</u>
\$ 2,674****	\$ 100	\$ 2,774*	\$ 3,132*
3,035*	1,300	4,335*	7,955*
1,125*	1,200	2,325*	5,658*
5,626	1,400	4,226	305
5,679	1,300	4,379	775
5,006	1,100	3,906	762
5,155	1,100	4,055	894
1,886	1,100	786	2,402*
2,314	1,200	1,114	2,276*
4,085	1,300	2,785	768*
1,099*	1,300	2,399*	5,992*

Stock Report Used and



EDISON LIGHT AND POWER COMPANY

DETERMINATION OF EXCESS OR DEFICIENCY OF INCOME OF EDISON ELECTRIC LIGHT CO.  
BASED ON A RETURN OF 8% APPLIED TO FIXED CAPITAL AND WORKING CAPITAL INVESTED

Line No.	Period or Year	Determination of Base				Return of 8% Applied To Col. (E)	Determination of	
		Fixed Capital As Recorded On the Books (A)	Adjustments (B)	Adjusted Fixed Capital (C)	Estimated Working Capital (D)		Earnings Before Depreciation Provisions (G)	Estimated Depreciation (H)
1	4/13/87 to 11/30/87	\$ 85,680	\$ -	\$ 85,680	\$ 3,300	\$ 88,980	\$ 5,339	\$ 5,246**
2	1888	77,353	-	77,353	3,000	80,353	6,428)	2,000
3	1889	79,080	-	79,080	3,000	82,080	6,566)	2,000
4	1890	80,384	-	80,384	3,100	83,484	6,679)	2,000
5	1891	90,530	-	90,530	3,500	94,030	7,522)	2,000
6	1892	116,202	-	116,202	4,400	120,602	9,648)	3,000
7	1893	129,029	-	129,029	4,900	133,929	10,714)	3,000
8	1894	197,447	-	197,447	7,500	204,947	16,396)	5,000
9	1895	205,954	-	205,954	7,900	213,854	17,108)	6,000
10	1896	209,749	-	209,749	8,000	217,749	17,420)	6,000
11	1897	235,436	-	235,436	9,000	244,436	19,555)	7,000

\*Denotes Contra

\*\*From Capital Stock Returns (As Revealed in Commission Exhibit No. 24 Sheet 3)  
 #26 Months Ended 12/31/89

#11 Months Ended 11/30/90

%Does Not Include 6 Months Income of Peoples Electric Light Co. which was Merged at 4/16/94



ELECTRIC LIGHT COMPANY

ING CAPITAL INVESTMENT

Determination of Net Earnings

<u>Earnings before Depreciation Provisions</u>	<u>Estimated Depreciation</u>	<u>Estimated Earnings After Depreciation Provisions</u>	<u>Earnings in Excess or Deficient of an 8% Return</u>
<u>(G)</u>	<u>(H)</u>	<u>(I)</u>	<u>(J)</u>
5,246**	\$ 2,000	\$ 3,246	\$ 2,093*
	2,300)		
197***	2,400)	4,503*	17,497*
3,867**	2,400	1,467	5,212*
6,227**	2,700	3,527	3,995*
7,849**	3,500	4,349	5,299*
9,497**	3,000	5,597	5,117*
6,256**	5,900	356	16,040*
4,170**	6,200	17,970	862
6,251**	6,300	19,951	2,531
7,311**	7,100	20,211	656

4/16/94

EDISON LIGHT AND POWER COMPANY

DETERMINATION OF EXCESS OR DEFICIENCY OF INCOME OF RED LION ELECTRIC LIGHT COMPANY  
BASED ON A RETURN OF 8% APPLIED TO FIXED CAPITAL AND WORKING CAPITAL INVESTMENT

Period or Year	Determination of Base					Return of 8% Applied To Col. (E) (F)	Determination of Net	
	Fixed Capital As Recorded On the Books (A)	Adjustments (B)	Adjusted Fixed Capital (C)	Estimated Working Capital (D)	Total Col. (C) & (D) (E)		Earnings Before Depreciation Provisions (G)	Estimated Depreciation (H)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1891	**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1892	**	-	-	-	-	-	-	-
1893	**	-	-	-	-	-	-	-
1894	**	-	-	-	-	-	-	-
1895	**	-	-	-	-	-	-	-
1896	**	-	-	-	-	-	-	-
1897	**	8,000***	8,000	300	8,300	664	387	-
1898	**	8,225****	8,225	300	8,525	682	588	200
1899	**	8,225****	8,225	300	8,525	682	651	200
1900	**	8,225****	8,225	300	8,525	682	616	300

\*Denotes Contra  
 \*\*Figures Not Available  
 \*\*\*Based on Amount Received at Sheriff's Sale of Entire Assets as Recorded in Minute Book - Sale  
 \*\*\*\*Additions Obtained by Reference to Capital Stock Reports

ELECTRIC LIGHT COMPANY

ING CAPITAL INVESTMENT

<u>Determination of Net Earnings</u>			
<u>Earnings before Depreciation Provisions</u>	<u>Estimated Depreciation</u>	<u>Estimated Earnings After Depreciation Provisions</u>	<u>Earnings in Excess or Deficient of an 8% Return</u>
(G)	(H)	(I)	(J)
-	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
387	200	187	477*
588	200	388	294*
651	300	351	331*
616	300	316	366*

12 Minute Book - Sale Made 7/1/97

EDISON LIGHT AND POWER COMPANY

DETERMINATION OF EXCESS OR DEFICIENCY OF INCOME OF MERCHANTS ELECTRIC LIGHT HEAT & POWER

BASED ON A RETURN OF 8% APPLIED TO FIXED CAPITAL AND WORKING CAPITAL INVESTMENT

		Determination of Base				Determination of Net		
Line No.	Period or Year	Fixed Capital As Recorded On the Books	Adjustments	Adjusted Fixed Capital	Estimated Working Capital	Total Col. (C) & (D)	Return of 8% Applied To Col. (E)	Earnings Before Depreciation Provisions
		(A)	(B)	(C)	(D)	(E)	(F)	Estimated Depreciation (H)
1	1901	\$ 41,367	-	\$ 41,367	\$ 2,400	\$ 43,767	\$ 3,501	\$ -
2	1902	74,329	-	74,329	2,400	76,729	6,138	2,486
3	1903	101,791	-	101,791	3,900	105,691	8,455	846
4	1904	112,922	-	112,922	3,500	116,422	9,314	10,640
5	1905	125,889	-	125,889	4,400	130,289	10,423	12,834
6	1906	139,258	-	139,258	7,700	146,958	11,757	1,367
7	1907	173,038	-	173,038	5,800	178,838	14,307	14,504
8	1908	182,606	-	182,606	7,000	189,606	15,168	8,859
9	1909	188,306	-	188,306	6,500	194,806	15,584	19,108
10	1910	194,662	-	194,662	7,300	201,962	16,157	23,331

\*Denotes Contra

CENTRIC LIGHT HEAT & POWER COMPANY

FIXED CAPITAL INVESTMENT

Determination of Net Earnings

<u>Earnings Before Depreciation Provisions</u>	<u>Estimated Depreciation</u>	<u>Estimated Earnings After Depreciation Provisions</u>	<u>Earnings in Excess or Deficient of an 8% Return</u>
(G)	(H)	(I)	(J)
-	\$ 1,200	\$ 1,200*	\$ 4,701*
2,486	2,200	286	5,852*
846	3,100	2,254*	10,709*
10,640	3,400	7,240	2,074*
12,834	3,800	9,034	1,389*
1,367	4,200	2,833*	14,590*
14,504	5,200	9,304	5,003*
8,859	5,500	3,359	11,809*
19,108	5,600	13,508	2,076*
23,331	5,800	17,531	1,374



**EDISON LIGHT AND POWER COMPANY**  
**STATEMENT OF REPRODUCTION COST ESTIMATES**

OF

**FIXED AND TANGIBLE PROPERTY**

AS OF

**NOVEMBER 30, 1936 AND MAY 31, 1937**

Account Number	Description	Estimated Cost as reconstructed by on or about		
		November 30, 1936	May 31, 1937	Increase
200	Organization	\$ 67,333	\$ 72,704	\$ 5,371
<b>Steam Generating System</b>				
204	Land	44,137	44,137	-
207	Structures	221,850	241,870	19,972
208	Railroad Sidings and Trestles	150	161	11
209	Boiler Plant Equipment	333,441	373,803	40,362
210	Steam Engines and Turbines	46,908	51,800	4,892
211	Turbo Generators	154,872	160,148	5,276
212	Other Electric Generators	104,177	111,535	7,358
213	Other Electric Equipment	278,440	297,042	18,602
214	Coal Storage and Weighing Equipment	23,114	24,092	978
215	Other Power Plant Equipment	10,510	11,360	850
<b>Transmission System</b>				
217	Land	11,446	11,446	-
219	Rights of Way	1,466	1,466	-
220	Transmission System Structures	22,611	24,400	1,789
241	Substation Equipment	425,519	506,453	80,934
242	Poles and Pictures	69,519	70,452	933
243	Overhead Conductors	96,824	101,112	4,288
244	Overhead Telephone System	841	841	-
245	Underground Conductors	15,102	15,732	630
246	Underground Conductors	5,181	10,147	4,966
<b>Distribution System</b>				
247	Rights of Way	846	846	-
248	Poles and Pictures	520,459	560,171	39,712
249	Overhead Conductors	116,446	120,219	3,773
250	Overhead Transformers	177,355	187,444	10,089
251	Overhead Transformer Installations	17,281	17,281	-
252	Overhead Services	162,803	162,803	-
253	Underground Conductors	8,283	10,271	1,988
254	Underground Conductors	246,106	246,106	-
255	Motors	25,102	29,274	4,172
256	Motor Installation	-	-	-
<b>Illumination System</b>				
273	Municipal Street Illumination System	246,118	270,950	24,832
274	Other Illumination Equipment	14,350	15,185	835
<b>General Property</b>				
275	General Office Land	113,525	113,525	-
276	General Office Land	23,150	23,150	-
277	General Office Structures	110,563	121,172	10,609
278	General Office Structures	62,178	67,446	5,268
279	General Office Structures	37,124	63,619	26,495
280	General Office Equipment	1,445	1,445	-
281	General Store Equipment	8,400	9,451	1,051
282	General Shop Equipment	51,832	51,832	-
283	General Garage Equipment	21,062	21,062	-
284	General Laboratory Equipment	4,297	4,297	-
285	General Tools and Implements	-	-	-
<b>Unallocated Construction Expenditures</b>				
286	Engineering and Superintendence During Construction	202,001	218,731	16,730
287	General Officers' and Clerks' Salaries During Construction	44,880	48,400	3,520
288	General Officers' and Clerks' Expenses	13,667	16,172	2,505
289	Office Supplies and Expenses During Construction	11,222	12,124	902
290	Low Expenditures During Construction	27,845	28,240	395
291	Insurance and Damages During Construction	14,880	24,240	9,360
292	Insurance During Construction	22,445	24,240	1,795
293	Taxes During Construction	44,880	48,400	3,520
294	Interest During Construction	298,961	322,961	24,000
295	Discurrent and Expense (Cost of Financing)	298,961	311,810	12,849
296	Total Reproduction Cost (Exclusive of Working Capital and Going Concern Value)	\$5,572,134	\$6,219,812	\$647,678

[fol. 1290]

## COMPANY EXHIBIT No. 19

Edison Light and Power Company  
Statement of Net Operating Earnings

Twelve Months Ended September 30, 1937

With a reflection of unrecorded operating expense items

Operating revenues .....	\$2,202,328.81
Operating expenses and taxes .....	1,595,407.76
Net operating earnings .....	<u>\$606,921.05</u>
Adjustment of net operating earnings for unrecorded items:	
Rental of property owned by York Railways Company but used by Edison Light and Power Company at annual cost of .....	\$18,000.00
Payroll increases made effective during 1937 reflected on annual basis .....	13,488.00
Pension cost reflected on annual basis .....	5,819.00
Proportion of annual salaries of common administrative personnel of Edison Light and Power Company and affiliates paid by Edison Light and Power Company and reflected on annual basis .....	20,593.00
Estimate for rate case expense of Commission and regulatory expense to be assessed by Commission under Section 1201 of Public Utility Law .....	21,792.00
Total adjustments .....	<u>\$79,692.00</u>
Adjusted Net Operating Earnings .....	<u><u>\$527,229.05</u></u>

[fol. 1291]

## COMPANY EXHIBIT No. 19-A

Sheet 1 of 3

## Edison Light and Power Company

Detail of Operating Revenues, Expenses and Taxes for the Year Ended September 30, 1937

## Operating Revenues:

	Traffic Schedule	3 Months Ended 12-31-36	9 Months Ended 9-30-37	12 Months Ended 9-30-37
RL	Domestic service	\$230,158.41	\$697,832.93	\$927,991.34
A	City lighting service	544.23	1,499.94	2,044.17
B	Suburban Lighting service	624.78	1,637.82	2,262.60
GL	General Lighting service	119,400.02	346,105.41	465,505.43
PR	Lighting service at 2300 Volts	791.43	2,382.27	3,173.70
P-1	Retail power service	14,731.16	44,267.63	58,998.79
P-2	Wholesale power service	117,789.87	349,396.59	467,186.46
P-4	High tension power interchange service	6,610.00	47,214.00	53,824.00
P-5	Current to Non-Affil. electric utility companies	4,586.03	14,391.36	18,977.39
HC	Heating and cooking service	3,044.68	9,806.66	12,851.34
CBH	Cooking, banking and heating	965.70	3,732.09	4,697.79
SL	Series Tungsten lamps	348.00	1,060.88	1,408.88
AS	Auxiliary service	17.66	59.05	76.71
TS	Temporary service	1,772.19	844.18	2,616.37
OPH	Restricted off peak water heating	435.77	1,956.06	2,391.83
M	Municipal Street lighting (except City of York)	5,893.34	17,893.77	23,787.11
MCY	Municipal Street Lighting (City of York)	14,436.32	43,337.42	57,773.74
P-2	Wholesale power service (Special provisions (c) and (d))	1,606.01	4,360.81	5,966.82
BLI	Borderline interchange service (Metropolitan Edison Co.)	244.14	451.10	695.24
P-2	Wholesale Power service (Special Provision (c) and (d) Glen Rock Elec. Lt. & Pr. Co.)	21,711.62	66,438.39	88,150.01
		\$545,711.36	\$1,654,668.36	\$2,200,379.72
	Miscellaneous discount, reconnect and service charges	561.91	1,387.18	1,949.09
	Total operating revenue	\$546,273.27	\$1,656,055.54	\$2,202,328.81

[fol. 1292]

## Company Exhibit No. 19-A—Sheet 2 of 3

## Edison Light and Power Company

Detail of Operating Revenues, Expenses and Taxes for the Year Ended September 30, 1937

	3 Months Ended 12-31-36	9 Months Ended 9-30-37	12 Months Ended 9-30-37
Operating Expenses:			
Production Expenses	\$154,211.35	\$486,540.12	\$640,751.47
Transmission Expenses	2,338.12	7,331.77	9,669.89
Distribution Expenses	15,891.49	57,743.37	73,635.16
Utilization Expenses	3,379.93	12,028.37	15,408.30
Commercial Expenses	14,572.64	50,100.41	64,673.05
New Business Expenses	11,688.53	39,238.71	50,927.24
General Administrative Expenses	18,331.88	60,599.21	78,931.09
Other General Expenses	47,110.04	138,120.52	*185,230.56
Depreciation	34,499.16	108,032.21	142,531.37
Total Operating Expenses	\$302,023.14	\$959,734.99	\$1,261,758.13
Taxes:			
Local	\$9,965.00	\$27,945.00	\$37,910.00
State	34,084.97	93,364.16	127,449.13
Federal—Energy	10,070.05	32,366.70	42,436.75
Federal—Capital Stock	2,490.00	7,544.00	10,034.00
Federal—Miscellaneous	2,936.61	2,738.41	5,675.02
Federal—Income	40,712.17	69,432.56	110,144.73
Total Taxes	\$100,258.80	\$233,390.83	\$333,649.63
Total Operating Expenses and Taxes	\$402,281.94	\$1,193,125.82	\$1,595,407.76
Net Operating Earnings	\$143,991.33	\$462,929.72	\$606,921.05
Includes			
Rate Case Expense			\$127,935.26
Other Regulatory Commissions Expense			10.80

(Here follows one photolithograph, side folio 1293-1296)





EDISON LIGHT AND POWER COMPANY  
DETAIL OF LOCAL, STATE AND FEDERAL TAXES

Company Exhibit 19A  
Sheet 3 of 3

	BASIS	TOTAL	RATE
<b>TAXES:</b>			
<u>Local</u>			
Gross Receipts - City of York	Estimated	\$36 650 00	
Pole Taxes - Various Boroughs	Estimated	660 00	3% Various
School Taxes - " Locations	Estimated	600 00	
Total Local Taxes		\$ 37 910 00	
<u>State</u>			
Gross Receipts - Penn'a. - 3 Mos. 1936			
Revenue Less: Glen			
Rock Co. Sales Net			
\$546 273 27 \$21 711 62 \$524 561 65	20 Mills	\$10 491 00	20 Mills
Gross Receipts - Penn'a. - 9 Mos. 1937			
Revenue Less: Glen			
Rock Co. Sales Net			
\$1 686 175 55 None \$1 686 175 55	20 Mills	33 724 00	20 Mills
Capital Stock - Penn'a.			
Corporate Loans - (Consumers Deposits)			
State Net Income - 3 Mos. 1936	Estimated	33 000 00	5 Mills
Earnings (Basis for both taxes)		555 00	8 Mills
Tax (10% of Basis)	\$180 340 85 @ 10%		
Less 10% of Federal Tax	18 034 09		
Total 3 Mos. 1936	2 705 12		
State Net Income - 9 Mos. 1937		\$15 328 97	10%
Earnings (Basis for both taxes)	\$505 452 88 @ 7%		
Tax (7% of Basis)	35 381 70		
Less 7% of Federal Tax	5 225 75		
Total 9 Mos. 1937		30 155 95	
State Unemployment Insurance - 9 Mos. 1937			
Taxable Wages	\$233 011 50	4 660 23	7%
Less Federal Portion	10%	466 02	2% (10% State 90% Federal)
Total States Taxes		\$127 449 13	
<u>Federal</u>			
- Energy			
- Capital Stock			
- Miscellaneous			
Telephone and Telegraph			
Unemployment Insurance - 3 Mos. 1936 Adjustment		\$ 88 34	
Taxable Wages \$233 011 50	2% =	\$ 2 923 75	
Less: State Portion	90%	4 660 23	
Old Age Pensions - 9 Mos. 1937		4 194 21	
Total Federal Miscellaneous		3 389 77	
- Income		2 196 91	
Earnings (Basis for both taxes)		\$ 5 675 02	1%
Tax (15% of Basis)	\$180 340 85 @ 15%		
Less (15% of State)	27 051 20		
Total 3 Mos. 1936	2 705 43		
Earnings (Basis for both taxes)	\$505 452 88 @ 15%	\$24 345 77	15%

3% less exemptions  
\$1.00 per \$1,000 of Declared Value (\$10,259,418)

School Taxes " Locations

Total Local Taxes

State  
Gross Receipts - Penn'a. - 3 Mos. 1936  
Revenue Less: Glen  
Rock Co. Sales Net  
\$546 273 27 \$21 711 62 \$524 561 65

Gross Receipts - Penn'a. - 9 Mos. 1937  
Revenue Less: Glen  
Rock Co. Sales Net  
\$1 686 175 55 None \$1 686 175 55

Capital Stock - Penn'a.  
Corporate Loans - (Consumers Deposits)  
State Net Income - 3 Mos. 1936

Earnings (Basis for both taxes)  
Tax (10% of Basis)  
Less 10% of Federal Tax  
Total 3 Mos. 1936

State Net Income - 9 Mos. 1937  
Earnings (Basis for both taxes)  
Tax (7% of Basis)  
Less 7% of Federal Tax  
Total 9 Mos. 1937

State Unemployment Insurance - 9 Mos. 1937  
Taxable Wages  
Less Federal Portion

Total States Taxes

Federal - Energy  
- Capital Stock  
- Miscellaneous

Telephone and Telegraph  
Unemployment Insurance - 3 Mos. 1936  
Taxable Wages  
Less: State Portion  
Old Age Pensions - 9 Mos. 1937  
Total Federal Miscellaneous

- Income  
Earnings (Basis for both taxes)  
Tax (15% of Basis)  
Less (15% of State)  
Total 3 Mos. 1936

Earnings (Basis for both taxes)  
Tax (15% of Basis)  
Less (15% of State)  
Total 9 Mos. 1937

Undistributed Profits Tax  
Total Federal Income

Total Taxes per Exhibit 19A

Estimated  
Estimated

20 Mills

\$10 491 00

20 Mills

33 724 00

Estimated

\$180 340 85 @ 10%  
18 034 09  
2 705 12

\$15 328 97

\$505 452 88 @ 7%  
35 381 70  
5 225 75

30 155 95

\$233 011 50

2%  
10%

4 660 23  
466 02

45 484 92

4 194 21

\$127 449 13

42 436 75  
10 034 00

\$ 88 34

3 389 77  
2 196 91

\$ 5 675 02

\$180 340 85 @ 15%  
27 051 20  
2 705 43

\$24 345 77

\$505 452 88 @ 15%  
74 657 93  
5 225 37

\$69 432 56

Estimated \$16 366 40

660 00  
600 00

\$ 37 910 00

Various

20 Mills

20 Mills

5 Mills  
8 Mills

10%

7%

2% (10% State  
90% Federal)

3% less exemptions  
\$1.00 per \$1,000 of Declared Value (\$10,259,418)

1%

15%

15%

\$110 144 73

\$333 649 63

1034A.

Company Exhibit 19A  
Sheet 3 of 3

TOTAL

RATE

3%  
Various

\$ 37 910 00

20 Mills

20 Mills

5 Mills

8 Mills

10%

7%

2% (10% State  
90% Federal)

\$127 449 13

42 436 75  
10 034 00

3% less exemptions  
\$1.00 per \$1,000 of Declared Value (\$10,259,418)



\$ 37 910 00

20 Mills

20 Mills

5 Mills

8 Mills

10%

7%

2% (10% State  
90% Federal)

\$127 449 13

42 436 75

10 034 00

3% less exemptions

\$1.00 per \$1,000 of Declared Value (\$10,259,418)

\$ 5 675 02

1%

15%

\$110 144 73

15%

\$333 649 63

1293-1296



[fols. 1297-1315] COMPANY EXHIBIT 19-D

Resolution Passed by Directors of Edison Light and Power  
Company

York, Pa.

Resolved, that this Company pay in full the present salaries of all its officers and employees without charging or allocating any part thereof to any affiliate company; that the President be and is hereby directed to discontinue as rapidly as feasible the existing practice of having the employees of this Company render services to other affiliated companies; and that the President be and is hereby authorized and directed to make application to the Pennsylvania Public Utility Commission for the approval of the changes effected and to be effected by and in pursuance of this resolution, if advised by counsel that such approval is necessary, and to file with the Commission such statement with regard thereto as may be required by law or the regulations of the Commission.

I, M. G. Stees, Secretary of Edison Light and Power Company, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, do hereby certify that the foregoing is a full, true and correct copy of a resolution of the Board of Directors of the said Company, duly and regularly convened and held on the 28th day of October, 1937, at which a quorum was present and voted; that said resolution is still in full force and effect and has not been rescinded.

In Witness Whereof, I have hereunto affixed my hand and corporate seal of Edison Light and Power Company this 15th day of November 1937.

(S.) M. G. Stees, Secretary. (Seal.)

[fol. 1316]

## COMPANY EXHIBIT No. 20.

## Edison Light and Power Company

## Payroll Increase

Date of Increase	Annual Increase	September Period Not Reflected
1/ 4/37	\$600	\$150
12/26/36	360	90
1/11/37	900	262
2/26/37	300	125
3/15/37	960	440
3/24/37	720	360
3/31/37	900	450
3/25/37	300	150
4/10/37	360	180
4/12/37	420	210
4/11/37	120	60
4/14/37	120	60
4/26/37	1,020	595
4/26/37	900	525
5/10/37	720	420
5/ 1/37	180	105
6/ 1/37	720	420
5/11/37	120	85
6/11/37	360	255
6/10/37	240	170
7/11/37	120	75
6/11/37	6,962	4,930
8/25/37	300	275
9/21/37	360	360
10/11/37	1,896	1,896
10/26/37	840	840
	<u>\$20,798</u>	<u>\$13,488</u>

[fol. 1317] I, S. H. Ludwig, Auditor of Edison Light and Power Company, a corporation organized and existing under the laws of the State of Pennsylvania, do hereby certify that the foregoing statement is a true and correct statement of payroll increases not reflected in the statement of expenses of said corporation for the period ending September 30, 1937.

In Witness Whereof, I have hereunto set my hand and seal this 15th day of November 1937.

(S.) S. H. Ludwig, Auditor.

[fol. 1318] COMPANY EXHIBIT No. 21

## Edison Light and Power Company

## Statement of Company's Rate Case Expenses

Legal Services	\$82,850.00
Engineering	71,178.46
Miscellaneous expenses	24,346.04
	<hr/>
	\$178,374.50

I, S. H. Ludwig, Auditor of Edison Light and Power Company, a corporation organized and existing under the laws of the State of Pennsylvania, do hereby certify that the foregoing is a true and correct statement of expenses incurred to date by said corporation in the conduct of its rate case before the Public Utility Commission of Pennsylvania.

In Witness Whereof, I have hereunto set my hand and seal this 15th day of November 1937.

(S.) S. H. Ludwig, Auditor.

[fol. 1319] COMPANY EXHIBIT No. 22

## Edison Light and Power Company

## ADDITION TO FIXED CAPITAL

December 1, 1936 to September 30, 1937

January 1, 1937 to September 30, 1937

Description	Gross		Net
	Additions	Retirements	Additions
Central plant feeder	\$1,965.12	None	\$1,956.12
Transmission lines	3,164.81	234.45	2,930.36
Substations	402.08	50.09	351.99
Distribution & St. Ltg.	90,839.20	15,488.02	75,351.18
Meters	10,397.44	1,296.16	9,101.28
Services	9,355.63	1,150.06	8,205.57
Transformers	17,084.23	1,999.86	15,084.37
Misc. tools and equip.	4,741.74	93.15	4,648.59
Transportation equip- ment	5,312.50	1,102.15	4,210.35
	<hr/>	<hr/>	<hr/>
	\$143,262.75	\$21,413.94	\$121,848.81

December 1, 1936 to December 31, 1936.

\$21,002.26	•	\$21,002.26
-------------	---	-------------

Total November 30, to Sept. 30, 1937	\$164,265.01	\$21,413.94	\$142,851.07
---	--------------	-------------	--------------

I, S. H. Ludwig, Auditor of Edison Light and Power Company, a corporation organized and existing under the laws of the State of Pennsylvania, do hereby certify that the foregoing statement of additions to the fixed capital account [fol. 1320] of said corporation for the period from December 1, 1936 to December 31, 1936 and from January 1, 1937 to September 30, 1937, is a true and correct statement of such additions.

In Witness Whereof, I have hereunto set my hand and seal this 15th day of November 1937.

(S.) S. H. Ludwig, Auditor.

\* The company recorded retirements of \$15,484.38 on its books in the month of December 1936 which had already been reflected in the Day & Zimmermann estimates at November 30, 1936.

(Here follow four photolithographs, side folios 1321, 1322, 1323, 1324-1327)

**EDISON LIGHT AND POWER COMPANY**  
**DETAIL OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1937**

3 Months - 1936

**P.U.C. PUBLIC UTILITY COMMISSION CLASSIFICATION**  
**ACCTS. Description**

Total

<u>I PRODUCTION</u>		
350	Superintendence	\$ 2 126 55
351	Boiler Labor	2 788 29
352	Engine Labor	2 116 29
353	Electric Labor	3 309 19
354	Other Labor	252 47
355	Fuel	23 983 34
356	Sale of Ashes	69 04
358	Water	926 11
359	Lubricants	82 38
362	Other Power Supplies	562 75
363	Other Power Expenses	1 148 90
365	Maintenance Power Plant Structures	1 521 15
367	" Boiler Plant Equipment	2 343 01
368	" Steam Turbines & Engines	369 06
369	" Turbo-Generators	466 29
370	" Other Electric Generators	664 77
371	" Other Electric Equipment	430 54
373	" Other Power Plant Equipment	356 40
413	Electricity Purchased	156 248 88
414	Duplicate Production Expenses-Credit	33 960 52
414	Production Expense-Credit (Rys. & Other)	11 593 54

Total Production

\$154 211 35

II TRANSMISSION

415	Superintendence	\$ 382 86
416	Overhead Transmission Labor	43 39
418	Substation Labor	437 50
421	Supplies & Expenses Overhead Trans-System	13 89
423	Substation Supplies and Expenses	249 44
427	Maintenance Transmission System Structures	31 06
428	" Poles and Fixtures	113 39
429	" Overhead Conductors	98 82
434	" Substation Equipment	967 77

Total Transmission

\$ 2 338 12

9 Months - 1937

**F.P.C. FEDERAL POWER COMMISSION CLASSIFICATION**  
**ACCTS. Description**

Total

<u>I PRODUCTION</u>		
701	Supervision and Engineering	\$ 5 099 74
702.1	Boiler Labor	7 716 23
702.2	Prime Mover and Generator Labor	6 438 11
702.3	Electric Labor	10 053 51
702.4	Miscellaneous Station Labor	930 21
703	Fuel	44 338 44
704	Water	2 795 80
705.1	Lubricants	176 80
705.2	Station Supplies	533 29
705.3	Station Expenses	3 056 68
706	Maintenance Supervision & Engineering	862 52
707	" Structures & Improvements	1 144 09
708.1	" Coal Storage & Weighing Eq.	1 047 58
708.2	" Furnaces and Boilers	1 611 47
708.3	" Boiler Apparatus	878 21
708.4	" Steam Piping & Accessories	762 71
709.1	" Prime Movers & Generators	728 36
709.2	" Accessory Elec. Equipment	2 091 04
709.3	" Misc. Power Plant Equip.	646 69
710	Rents	22 50
712	Steam Transferred-Credit	62 585 26
738.1	Power Purchased-Non Ass'd. Co's.	175 676 14
738.2	" " -Associated Co's.	312 635 27
-	Production Expense-Credit (Rys)	30 120 01

Total Production

\$486 510 11

II TRANSMISSION

743	Supervision and Engineering	\$ 887 62
745.1	Station Labor	1 081 14
745.2	Station Supplies and Expenses	693 40
746.1	Overhead Lines	200 65
747	Maintenance Supervision & Engineering	602 19
748	" Structures & Improvements	532 27
749	" Station Equipment	2 155 34
750.2	" Poles and Fixtures	84 38
750.3	" Cond. & Devices-Overhead	1 094 78

Total Transmission

\$ 7 334 7



Company Exhibit No. 23

11/19/37

Page 1

9 Months - 1937

FEDERAL POWER COMMISSION CLASSIFICATION

Station

Total12 Mos.  
Sept. 30,  
1937

and Engineering	\$ 5 099 74
or	7 716 23
and Generator Labor	6 438 11
Labor	10 053 51
ous Station Labor	930 21
	44 338 44
	2 795 80
	176 80
plies	533 29
enses	3 056 68
Supervision & Engineering	862 52
Structures & Improvements	1 144 09
Coal Storage & Weighing Eq.	1 047 58
Furnaces and Boilers	1 611 47
Boiler Apparatus	878 21
Steam Piping & Accessories	762 71
Prime Movers & Generators	728 36
Accessory Elec. Equipment	2 091 04
Misc. Power Plant Equip.	646 69
	22 50
ferred-Credit	62 585 26
ased-Non Ass'd. Co's.	175 676 14
-Associated Co's.	312 635 27
Expense-Credit (Rys)	30 120 01
tal Production	

\$486 540 12

\$640 751 47

ION

and Engineering	\$ 887 62
or	1 081 14
plies and Expenses	693 40
ees	200 65
Supervision & Engineering	602 19
Structures & Improvements	532 27
Station Equipment	2 155 34
Poles and Fixtures	84 38
Cond. & Devices-Overhead	1 094 78

tal Transmission

\$ 7 331 77

\$ 9 669 89

EDISON LIGHT AND POWER COMPANY  
DETAIL OF OPERATING EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 1937

3 Months - 1936					
P.U.C.	PUBLIC UTILITY COMMISSION CLASSIFICATION				
ACCTS.	Description				
III DISTRIBUTION			Total		
441	Superintendence	\$ 1 926 44			
442	Overhead Dist. System Labor	77 10			
443	Underground Dist. " "	6 51			
444	Labor removing and Resetting Meters	36 59			
445	Labor inspecting and Testing Meters	908 89			
446	Other Meter Dept. Labor	58 81			
447	Labor inspecting, removing & resetting Transf.	219 99			
448	Labor Making Dist. Maps & Records	494 39			
449	Other Dist. System Labor	471 69			
450	Supplies & Expenses Overhead Dist. System	5 25			
452	Meter Dept. Supplies and Expenses	329 84			
453	Transformer Supplies and Expenses	44 30			
454	Map and Record Supplies and Expenses	64 36			
456	Other Dist. System Supplies and Expenses	801 10			
457	Maintenance Dist. System Structures	-			
458	" Poles and Fixtures	3 578 32			
459	" Overhead Conductors	3 238 80			
461	" Underground Conductors	-			
462	" Overhead Services	926 14			
464	" Transformers	1 713 74			
466	" Meters	989 23			
Total Distribution			\$15 891 49		

IV UTILIZATION					
468	Municipal St. Incandescent System Labor	\$ 330 36			
473	Consumers Premises Inspection Labor	-			
474	Other Consumers Premises Labor	1 292 29			
476	Municipal St. Incan. System Sup. & Expenses	703 09			
481	Consumers Premises Inspection Sup. & Expenses	37 50			
482	Other Consumers Premises Sup. & Expenses	532 32			
484	Maintenance Municipal St. Incan. System	484 37			
Total Utilization			\$ 3 379 93		

9 Months - 1937					
F.P.C.	FEDERAL POWER COMMISSION CLASSIFICATION				
ACCTS.	Description				
III DISTRIBUTION					
756	Supervision and Engineering	\$ 3 334 21			
757	Load Dispatching Labor and Expenses	6 55			
758.1	Distribution Maps and Records	1 973 39			
758.2	Other Distribution Office Expense	1 751 91			
759.2	Station Supplies and Expenses	5 70			
761.1	Overhead Lines	4 845 43			
761.2	Underground Lines	69 29			
762.1	Removing and Resetting Line Transformers	2 626 62			
776	" " Meters	5 316 94			
764	Rents	150 50			
768.1	Maintenance Supervision & Engineering	1 938 19			
768.2	" Poles, Towers & Fixtures	9 057 09			
769.2	" Conductors & Devices-Overhead	10 855 23			
770	" " Underground	14 58			
771	" Line Transformers & Devices	8 300 41			
772	" Services	4 655 92			
	" Meters	2 931 74			
Total Distribution					

IV UTILIZATION					
762.2	Investigating & Adjusting Service Complaints	\$ 1 836 94			
762.3	Lamp Service-Arc and Incandescent	51 83			
762.4	Maintenance of Fixtures and Appliances	178 35			
762.5	Radio Interference Work	781 12			
762.6	Other Work on Consumers Premises	1 493 48			
763.1	Overhead System - (Street Lighting)	1 509 40			
775	Maintenance St. Lighting & Signal Systems	4 444 20			
520.391	Service during Guaranty Period-Domestic	1 733 05			
Total Utilization					

9 Months - 1937

## GENERAL POWER COMMISSION CLASSIFICATION

Section

UTILIZATION

Total

12 Mos.  
Sept. 30,  
1937

Construction and Engineering	\$ 3 334 21
Matching Labor and Expenses	6 55
Construction Maps and Records	1 873 39
Distribution Office Expense	1 751 91
Supplies and Expenses	5 70
Lines	4 845 43
and Lines	69 29
and Resetting Line Transformers	2 626 62
Meters	5 316 94
Supervision & Engineering	150 50
Poles, Towers & Fixtures	1 938 19
Conductors & Devices-Overhead	9 057 09
Underground	10 855 23
Line Transformers & Devices	14 55
Services	8 300 41
Meters	4 655 92
	2 931 74

## Total Distribution

\$57 743 67

\$73 635 16

ION

ing &amp; Adjusting Service Com-

Ne-Arc and Incandescent	\$ 1 836 94
of Fixtures and Appliances	51 83
	178 35
ference Work	781 12
on Consumers Premises	1 493 48
System - (Street Lighting)	1 509 40
St. Lighting & Signal Systems	4 444 20
ing Guaranty Period-Domestic	1 733 05

## Total Utilization

\$12 028 37

\$15 408 30

**EDISON LIGHT AND POWER COMPANY**  
**DETAIL OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1937**

3 Mos. 1936

**P.U.C. PUBLIC UTILITY COMMISSION CLASSIFICATION**

<u>ACCTS.</u>	<u>Description</u>		<u>Total</u>
	<u>V COMMERCIAL</u>		
489	Contract Department Labor	\$ 616 65	
490	Meter Indexing Labor	2 720 09	
491	Consumers Accounting Labor	5 014 40	
492	Collection Department Labor	3 054 99	
493	Other Commercial Department Labor	--	
494	Contract Department Supplies & Expenses	46 27	
495	Meter Indexers Supplies & Expenses	801 46	
496	Consumers Accounting Supplies & Expenses	645 68	
497	Collection Department	1 342 23	
499	Other Commercial Dept. "	320 87	
	<b>Total Commercial</b>		<b>\$14,572 68</b>

VI NEW BUSINESS

500	New Business Management Salaries	\$ 2 565 24
501	" " Solicitating Salaries	2 479 13
502	" " Advertising Salaries	151 69
503	Other " Salaries	553 06
505	New " Manag. Supplies & Expenses	581 95
506	" " Soliciting Supplier & Expenses	1 195 16
507	" " Advertising	718 90
508	" " Wiring	2 361 88
509	" " Signs and Devices	--
511	Other " Supplies and Expenses	234 77
-	Edse. and Jobbing-Direct Charges	805 28
	" " -Indirect Charges	1 652 03

**Total New Business**

**\$11,688**

9 Mos. 1937

F.P.C.  
ACCTS.

FEDERAL POWER COMMISSION CLASSIFICATION

Description  
V. COMMERCIAL

779	Supervision	\$ 2 120 28
780.1	Customers Contracts and Order	1 309 59
780.2	Credit Investigations and Records	3 65
780.3	Meter Reading	11 107 36
780.4	Collecting	13 273 18
781	Customers Billing and Accounting	17 059 10
782	Miscellaneous Expenses	201 03
783	Uncollectible Accounts	4 215 44
784	Rents	<u>530 58</u>

Total Commercial

VI NEW BUSINESS

785.1	Supervision Salaries-Domestic	\$ 4 344 74
785.2	" " -Commercial	2 120 71
785.3	" " -Industrial	1 431 72
785.4	Supplies & Exp.-Domestic	366 28
785.5	" " -Commercial	639 76
785.6	" " -Industrial	121 57
786.1	Salesmen's Salaries - Domestic	589 94
786.2	" " - Commercial	2 693 91
786.3	" " - Industrial	1 813 35
786.4	Supplies & Exp. - Domestic	1 082 62
786.5	" " - Commercial	650 59
786.6	" " - Industrial	461 59
787.10	Demonstrations Salaries - Domestic	1 494 47
787.13	" Supplies & Exp.-Domestic	1 461 17
787.14	" " -Commercial	152 31
787.15	" " -Industrial	10 38
787.20	Advertising - Domestic	1 814 02
787.21	" - Commercial	171 19
787.22	" - Industrial	62 39
787.30	Other Salaries - Domestic	2 601 65
787.33	" Supplies & Expenses - Domestic	94 03
787.34	" " - Commercial	1 55
787.35	" " - Industrial	2 45
788	Rents	450 00
-	Misc. and Jobbing - Direct Charges	5 104 16
-	" " - Indirect charges	<u>2 341 66</u>

Total New Business



9 Mos. 1937  
OVER COMMISSION CLASSIFICATION

12 Mos.  
Sept. 30,  
1937.

	Total
Contracts and Order	\$ 2 120 28
Investigations and Records	1 309 59
	3 65
	11 107 36
Printing and Accounting	13 273 18
Expenses	17 059 10
Accounts	4 01 03
	4 215 44
	<u>530 58</u>

Commercial

\$50 100 41      \$41 673 05

EXPENSES

Salaries-Domestic	\$ 4 344 74
" -Commercial	2 120 71
" -Industrial	1 431 72
Supplies & Exp.-Domestic	1 066 28
" -Commercial	639 76
" -Industrial	121 57
Salaries - Domestic	589 94
" - Commercial	2 693 91
" - Industrial	1 813 35
Supplies & Exp. - Domestic	1 032 62
" - Commercial	650 59
" - Industrial	461 59
Salaries - Domestic	1 494 47
Supplies & Exp.-Domestic	1 461 17
" -Commercial	152 31
" -Industrial	10 88
Domestic	1 814 02
Commercial	171 19
Industrial	62 39
Expenses - Domestic	2 601 65
Expenses - Domestic	94 03
" - Commercial	1 55
" - Industrial	2 45
	450 00
Printing - Direct Charges	5 104 16
" - Indirect charges	<u>2 341 66</u>

New Business

\$39 238 71

\$50 927 24

**EDISON LIGHT AND POWER COMPANY**  
**DETAIL OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1937**

3 Months 1936			9 Months 1937		
P.U.C. ACCTS.	PUBLIC UTILITY COMMISSION CLASSIFICATION Description	Total	P.F.C. ACCTS.	FEDERAL POWER COMMISSION CLASSIFICATION Description	Total
<b>VII GENERAL ADMINISTRATIVE</b>					
512	Salaries of General Officers	\$ 5 481 12	790.1	Supplies Gen'l. Officers - Executive	\$ 9 063 45
513	Salaries of General Office Clerks	5 306 65	790.2	" " " - Treas. & Acctg.	6 797 59
514	General Office Stationery & Printing	361 82	791.1	Other Gen'l. Office Salaries - Executive	1 694 74
515	Other General Office Supplies	78 28	791.2	" " " - Treas. & Acctg.	16 383 54
516	General Officers Expenses	515 86	792.11	Expenses Gen'l. Officers - Executive	1 629 06
517	General Office Clerks Expenses	106 56	792.12	" " " - Treas. & Accts.	867 51
518	General Law Expenses	196 45	792.13	" " " - Law Dept.	55 00
519	General Office Rent	--	792.21	" " " Office Employees-Executive	63 32
520	Other General Office Expenses	3 281 90	792.22	" " " - Treas. & Acctg.	971 12
541	" " Expenses	<u>3 002 94</u>	793	General Office Supplies & Expenses	11 409 86
			801.1	Miscellaneous General Expense	9 498 08
			796	Legal Services	<u>2 165 94</u>
	<b>Total General Administrative</b>	<b>\$ 18 331 88</b>		<b>Total General Administrative</b>	
<b>VIII OTHER GENERAL EXPENSES</b>					
521	Maintenance General Office Structures	\$ 1 156 38	794	Management and Supervision Fees	\$12 240 00
522	" " " Equipment	266 20	795	Special Services	2 324 49
534A	Unemployment Compensation-Federal	2 377 30	797	Regulatory Commission Expenses	89 262 57
535	Uncollectible Consumers' Accounts	1 365 68	798	Insurance	1 712 61
536	Regulatory Commission Expenses	38 683 49	799	Injuries and Damages	3 509 42
537	Injuries and Damages	1 314 10	800.1	Employees Welfare	9 732 75
538	Other Insurance	597 47	800.2	Pensions	18 874 58
539	Pensions	716 34	802.1	Maintenance Structures & Improvements	3 969 71
541	Other General Expenses	5 367 88	802.2	" " Office Furniture & Equip.	167 17
544	Duplicate Misc. Charges - Credit	618 23	803	Rents	427 06
551	Maintenance Other General Structures	412 73	806	Duplicate Misc. Charges - Credit	<u>4 099 84</u>
519	General Office Rent	<u>225 00</u>		<b>Total Other General Expenses</b>	
	<b>Total Other General Expenses</b>	<b>\$ 47 110 04</b>		<b>Total Other General Expenses</b>	
558	Renewals and Replacements	<u>\$ 34 499 16</u>	503	Depreciation	
	<b>Total Operating Expenses</b>	<b>\$302 023 14</b>		<b>Total Operating Expenses</b>	

Months 1937  
COMMISSION CLASSIFICATION

12 Mos.  
 Sept. 30,  
1937

ADMINISTRATIVE

Officers - Executive	\$ 9 063 45
"    - Treas. & Acctg.	6 797 59
Office Salaries - Executive	1 694 74
"    - Treas. & Acctg.	16 383 54
Officers - Executive	1 629 06
"    - Treas. & Accts.	867 51
"    - Law Dept.	55 00
Office Employees-Executive	63 32
"    - Treas. & Acctg.	971 12
Supplies & Expenses	11 409 86
General Expense	9 498 08
	<u>2 165 94</u>

General Administrative

\$ 60 599 21      \$ 78 931 09

GENERAL EXPENSES

Supervision Fees	\$12 240 00
Commission Expenses	2 324 49
	89 262 57
	1 712 61
Travelling Expenses	3 509 42
	9 732 75
	18 874 58
Repairs & Improvements	3 969 71
Office Furniture & Equip.	167 17
	427 06
Charges - Credit	<u>4 099 84</u>

Other General Expenses

\$138 120 52      \$ 185 230 56

\$108 032 21      \$ 142 531 37

Operating Expenses

\$959 734 99      \$1 261 758 13



[fol. 1328] IN UNITED STATES DISTRICT COURT FOR THE EAST-  
ERN DISTRICT OF PENNSYLVANIA, DECEMBER TERM, 1937

In Equity. No. 9893

EDISON LIGHT & POWER COMPANY, a Corporation, Complain-  
ant,

vs.

DENIS J. DRISCOLL, THOMAS C. BUCHANAN, RICHARD J. BEAM-  
ISH, Guy K. Bard, and Donald Livingston, Individually  
and as the Persons Constituting the Pennsylvania Public  
Utility Commission, Respondents

**Statement of Evidence**—Filed January 31, 1938

Before Hon. Joseph Buffington, Hon. J. Warren Davis, Hon.  
Oliver B. Dickinson

Philadelphia, Pa., January 17, 1938.

Present:

Walter Biddle Saul, Esq., Edward A. G. Porter, Esq.,  
Clarence W. Miles, Esq., Edward F. Huber, Esq., J. Harry  
La Brum, Esq., and Morgan S. Kaufman, Esq., represent-  
ing the Complainant.

[fol. 1329] Samuel Graff Miller, Esq., representing the Re-  
spondents.

Clarence M. Lawyer, Jr., Esq., and Herbert B. Cohen,  
Esq., representing the Intervenors.

**Transcript of the Trial Record**

Judge Buffington: Are there any motions before the Court  
this morning? We have your case, Mr. Saul.

**MOTION TO STRIKE ANSWER**

Mr. Saul: Yes, sir, I have a motion in that case, sir. This  
morning I was handed an answer which Mr. Cohen tells  
me he filed on behalf of intervenors in this case. I ask that  
that answer be stricken from the record for two reasons.

First, it has no proper part in this case. He was per-  
mitted to intervene, but no permission was given to file an  
answer, and the answer itself is an argument purporting to



show that the Court has no jurisdiction, a very anomalous situation where a man gets permission to come into the Court for the sole purpose of saying that the Court has no jurisdiction, when he is not a party to it.

[fol. 1330] In the second place, I ask that the answer be stricken off because of the scandalous nature of one of the averments. I read what was said in paragraph 2:

"It is further alleged that the attempt on the part of the complainant in this bill of complaint to ignore the decision of the United States District Court for the Middle District of Pennsylvania and again raise the question of the constitutionality of Section 310 of Article III is unjustifiable, unreasonable and inequitable and demonstrates a total disregard and lack of respect for the authority of the United States District Court for the Middle District of Pennsylvania, and bespeaks a misuse of the proper functions of a court of justice."

Now, I ask that the answer be stricken off, first, because it has no place here, it merely encumbers the record; and, second, because no intervenor has the right to come in and make statements like that in a purported answer.

Mr. Cohen: If Your Honors please, the Complainant saw fit to again in its bill in equity before Your Honors raise the constitutionality of Section 310 of the Pennsylvania [fol. 1331] Public Utility Law. In the answer to the Complainant's bill in equity, the answer that I have filed, copies of which I have for Your Honors, contains the bill of complaint that the Complainant filed in the Middle District, the opinion of His Honor Judge Davis, the opinion of His Honor Judge Watson, and the opinion of His Honor Judge Johnson. We feel that it is very important that the record of this matter should contain the bill in equity as filed in this Middle District, because even a superficial reading of the bill in equity in the Middle District will indicate to Your Honors that the Complainants in this matter have taken verbatim paragraph after paragraph out of the original bill of complaint, and it is my contention that the learned opinions of the Court in the question of the Middle District conclusively decided the question of the constitutionality of the Pennsylvania Public Utility Act. It is for that reason that I have placed in my answer both the bill of complaint originally

filed and the three opinions of the Court. I feel, and I say that it is inequitable that the Complainant, once having had a judicial opinion on the matter of the constitutionality of [fol. 1332] the Pennsylvania Public Utility Law, on the same facts, as the Court can see by reading and comparing the two bills of complaint filed in the Middle District and in the Eastern District, it is inequitable that the Complainant should come into this Court and again raise those same constitutional questions.

I might say to Your Honors that I represent the consumers of York who have been deprived of a rate reduction, and if those individuals are going to be able to circumvent the opinion of a statutory court of equal powers as this Court, and to continue that delay, that these Complainants are further perverting the judicial force and effect of the Middle District Court of the United States. It is inequitable that they should do it. It is inequitable to the people who are paying excessive charges. All those are matters pertaining to their bill of complaint filed in this, and answers their bill of complaint on the question of constitutionality conclusively.

Now, I cannot see why the Complainant should object to an answer raising some of the facts which this Court in effect would take judicial knowledge of.

[fol. 1333] I can see possibly if the Complainants are the least bit sensitive about their activity or their action in taking this from the Middle District Court to the Eastern District Court, if they are sensitive about that I can see that they possibly might object to that being in the record.

I consider this answer a very pertinent part of the record, and I sincerely request Your Honors to deny the motion of Mr. Saul. The answer is not as long as it looks, the answer is very short, and from this point on—

Judge Davis: Mr. Cohen—

Mr. Cohen: Yes, Your Honor.

Judge Davis: —we are disinclined—Mr. Cohen and Mr. Saul—we are disinclined to strike out this answer.

Mr. Cohen: Thank you.

Judge Davis: At the same time, speaking personally, now, for myself, I do not think there was any impertinence in raising the constitutional question, because in the other case our order was not founded upon the constitutionality of that Act.

[fol. 1334]

## Argument

Mr. Saul: I assume, sir, that we shall have the testimony taken; we have a stenographer.

Judge Davis: Yes, we don't have any objection.

## Complainant's Evidence

HENRY D. BOENNING, having been duly sworn, was examined and testified as follows:

## Direct examination:

Mr. Miles: Now, if Your Honors please, in order that the Court may follow the testimony, the purpose of offering this witness relates to that allegation in our bill of complaint which alleges that the rates allowed us by this temporary order are confiscatory in that they have failed to allow us a reasonable rate of return, and the testimony of this witness will deal exclusively with the question of return.

Judge Buffington: Well, now, suppose you get your witness—[fol. 1335] who is the witness?

Mr. Miles: He is on the stand.

Judge Buffington: Suppose you get him on here where we all can hear him.

Mr. Miles: All right.

Judge Buffington: And, Mr. Stenographer, there is no objection, of course, to you taking the testimony. Proceed, sir.

## By Mr. Miles:

Now, Mr. Boenning, will you please state your full name, residence and occupation?

A. Will you please—

Q. I asked you to please state your full name, residence and occupation.

A. Henry D. Boenning, 7312 Emlen Street, Philadelphia. I am a partner in the banking firm of Boenning and Company, at 1606 Walnut Street, Philadelphia.

Q. Now, what is the nature and scope of the business activities of Boenning and Company?

A. Boenning and Company are members of the Philadelphia Stock Exchange and associate members of the New York Curb Exchange. We buy and sell securities for the account of our customers on commission on the various [fol. 1336] exchanges where we are represented, in addition

to the outside markets. We participate in syndicates in the distribution of securities to the public.

In addition, we underwrite, with ourselves as principal or in connection with others, issues of securities for redistribution to the public.

In addition we maintain an active trading department covering various classes of securities, but specializing very largely in public utility securities in Pennsylvania. In addition to trading in these securities we buy them for our own account for redistribution to our customers.

Q. Now, Mr. Boenning, will you be kind enough to name some of the Pennsylvania public utility corporations whose securities your firm has either underwritten or traded in in large volumes?

A. Acting solely as principal, over the last sixteen years we have underwritten and financed the Southern Pennsylvania Power Company, which was later sold to the Philadelphia Electric Company, the Citizens Water Company of Scottdale, which was purchased from a subsidiary of the United States Steel Corporation, the Gettysburg Gas, the Birdsboro Electric, the Harvey's Lake Light, and the Wayne Sewerage Company.

[fol.1337] In addition we have participated substantially in the issuance and in the disposition to the public of practically all of the utility securities which have been offered for sale by other brokers to the public.

In addition to that we take an active position in the stocks and bonds of such companies as the Pennsylvania Power and Light Company, the Metropolitan Edison, Philadelphia Electric, Luzerne County Gas and Electric, and other Pennsylvania public utility corporations.

Q. Now, are you familiar in a general way with the business and affairs of the Edison Light and Power Company, the complainant in this case?

A. I am, Mr. Miles.

Q. Have you had occasion to familiarize yourself with the earnings of that company for the calendar years 1935, 1936 and 1937?

A. I have.

Q. Have you had occasion to examine the balance sheet of that company as of September 30, 1937?

A. I have.

Q. Now, I should like to ask you, Mr. Boenning, whether you have had occasion to examine and study the appraisals

[fol. 1338] of the plant and property of the Edison Company as made by Day and Zimmermann, Incorporated.

A. I have made an examination; no extensive study of such report, Mr. Miles.

Q. But you are familiar with the conclusions reached—

A. I am.

Q. —by Day and Zimmermann? Now, Mr. Boenning, assuming that the Edison Light and Power Company was required under existing circumstances and conditions to raise the principal sum of five million, five hundred thousand dollars, to be expended for the purpose of reproducing its present plant and properties devoted to the rendition of its public service, will you state how in your opinion it could raise that sum of money?

A. The money in my opinion would have to be raised as a result of the sale of securities to the public.

Q. Now, how much of that sum, if any, would have to be obtained through the sale of bonds, as distinguished from shares of stock, under existing market conditions?

A. Three million, one hundred thousand dollars principal amount could be raised from the sale of bonds.

Q. Now, what is your basis for an expression of opinion that three million, one hundred thousand dollars would have to be raised through bond money?

[fol. 1339] A. I think there are three good reasons for that: The Public Utility Commission of Pennsylvania has handed down an order—the York Railway Company have outstanding approximately five million dollars' worth of bonds. They asked the Public Service Commission for an extension. Those bonds—

Mr. Miller: That is objected to, Your Honors. I don't think what the York Railways Company is doing or intends to do with its bonds, or the conditions of the York Railways Company, has anything to do with the rate of return to be allowed to the Edison Light and Power Company.

Mr. Miles: Your Honors, the York Railways Company owns all of the outstanding stock of the Edison Light and Power Company—

Judge Buffington: Just a minute.

Judge Davis: Gentlemen, we have no jury here, and I think we will allow wide latitude, and if what the witness is saying has no relevancy we will disregard it when we come to study the case.



Mr. Miles: May I, without burdening the Court, simply say to Your Honors, because—

Judge Davis: Well, we are with you now.

Mr. Miles: Because I don't think Judge Buffington knows [fol. 1340] the relationship between the York Railways and the Edison Company.

Judge Buffington: You needn't bother about that. I will pick it up.

Mr. Miles: All right.

The Witness: Shall I answer the question, Mr. Miles?

Mr. Miles: Go ahead.

A. (Continued.) The five million presently outstanding York Railways bonds are secured by a first mortgage on the traction property, by deposit of the stock of the York Steam Heat Company, and by deposit of the stock of the Edison Light and Power. In asking for the extension of their bonds, which were due in 1937, the Public Utility Commission handed down a ruling refusing to extend the five million bonds in an amount in excess of three million, three hundred thousand dollars.

Now, if we are confronted with the financing of the Edison Light and Power Company alone, and eliminating the other two pieces of security which are under the York Railways bonds, it is inconceivable, I think, that the Public Utility Commission would permit the issuance—

Mr. Miller: Now, I object to that. I object to the witness [fol. 1341] expressing an opinion as to what the Commission may or may not do.

Judge Davis: Well, we realize it is his opinion merely.

The Witness: Shall I proceed?

Judge Davis: Yes.

A. (Continued.) I think it inconceivable that the Public Utility Commission would consent to the issuance of more than three million, one hundred thousand of bonds.

There are two other factors that I have given consideration in connection with the amount of the bonds. That would make the percentage of bonds approximately fifty-six per cent of a valuation of five million, five hundred thousand dollars. That is comparable, approximately, with the percentage of indebtedness of many other public utility bonds selling in the State of Pennsylvania.

In addition, if we go up any higher, if it were possible, in the issuance of first mortgage bonds, there would prob-

ably be a tendency on the part of the statistical rating companies to take that into unfavorable consideration, and it is very vital that these bonds secure a favorable rating for their sale.

And the last point, if the percentage of debt is increased [fol. 1342] by the issuance of first mortgage bonds, the bond becomes less attractive, and, consequently, it is probable that we could not pay as high a price for these bonds to the company.

By Mr. Miles:

Q. Now, Mr. Boenning, assuming that three million, one hundred thousand dollars of this five million, five, is raised through the sale of bonds, how in your opinion would the balance of the money be raised, and what would be the probable cost to the company?

A. The balance of the money should be raised approximately in equal ratio, by the sale of preferred stock and the sale of common stock of the company. Shall I cover the cost?

Q. Now, will you tell us what in your opinion the bonds could be sold for, and what in your opinion the classes of stock that you suggest could be sold for?

A. We are prepared to purchase the three million, one hundred thousand first mortgage bonds on the Edison Light and Power Company at a price of 97. We have selected a five per cent coupon and a twenty-year life.

The five per cent coupon is acceptable to the market today. We must make these securities ~~at~~ the market; we cannot [fol. 1343] make the markets; in addition to which, they must be priced at a price to sell below that of other comparable securities, bonds, preferred stock, and the common stocks.

The twenty-year life is also acceptable.

Now, in comparison with other similar bonds, the bond is what we call right in line and could be sold. We had given consideration to a four and one-half per cent coupon, but we find that the investor would rather pay a higher dollar price for the five per cent coupon than a lower dollar price for the four and one-half per cent coupon. Were we to consider the issuance or the purchase of a four and one-half per cent coupon it would mean that the bonds would have to be bought at a substantially lower price. This would mean less money to the company net. Now, it is quite obvious

in a matter of this kind of financing that the more money that can be raised by senior financing, the less costly to the company. That is the reason for the maturity and the coupon rate.

In connection with the price, our price of 97—I am again discussing the bonds—we contemplate a retail figure of 100. [fol. 1344] There is resistance above par to a premium bond in the market today.

Now, in connection with the bonds, the bond would have a percentage of debt of about fifty-six per cent, and would be earning approximately 2.79 times. The only justification there can be for the price of 97 paid the company and the retail price of a hundred—which is a most modest percentage of profit for the banking houses involved—is the fact that these bonds must have a low percentage of debt. They must have ample earnings coverage, they must have a substantial equity following, all enabling them to obtain a favorable rating from at least two of the four recognized statistical services, because these bonds must be distributed in volume. They must not be distributed in five hundred dollar pieces or in small pieces, but they must be made available for purchase by banks and large investors generally. That disposes of the bonds.

We propose—

Q. Now, what have you to say with respect to the cost of obtaining the preferred and common stock?

A. We propose to purchase from the company twenty-seven thousand shares of a fifty-dollar par, three and one-half dollar stock, at a price of  $45\frac{1}{8}$ . This stock would be [fol. 1345] retailed at 48 dollars a share. The stock on a basis at which it is being purchased from the company yields 7.78 per cent. At the contemplated retail price the yield would be 7.29 per cent. The retail price is directly in line and comparable to a number of public utility preferred stocks of operating companies now selling in the State of Pennsylvania.

The low unit cost, that is, the fifty-dollar par, was selected by virtue of the fact that it is a low unit cost and a little bit easier of distribution. Now, this stock must be distributed in small units. Consequently, that tends to make the cost of such distribution greater than would be the case in the bonds, where the distribution would be in volume.

This stock in order to be salable must have investment merit, and, therefore, in the calculation we have made the dividend requirements on this stock are being earned 2.88 times. That is directly the earnings available for the dividends on this preferred. What we call the overall, which consists of the total of the interest charges on the bonds and the dividends on the preferred stock, are being earned 1.70 times. That is satisfactory. That is salable. An investor would buy the stock at the retail price. It has some investment merit and a reasonable assurance of continuity of earning power, and good coverage.

In connection with the common stock we will buy one hundred thousand shares of Edison Light and Power common stock, with a ten-dollar par, at a price to net the company  $12\frac{3}{4}$ ; for suggested retail distribution at 15 dollars a share.

Now, there are two logical places for the sale of an equity common stock of an operating company like this. One of them is usually to a holding company or investment trust, and the other is a distribution to the small investor. Taking up the first point, with the present current agitation against the holding companies it would be impossible in my opinion to dispose of this equity to a holding company. From the investment trust viewpoint I think the investment trust would refuse to buy it because the profit or appreciation possibilities in a stock of this kind are very distinctly limited. We are buying this stock at seven and one-quarter times earnings. At the indicated retail price the investor is asked to buy the common equity stock of a Pennsylvania utility operating company on 8.47 times earnings. He is [fol. 1347] paying 15 dollars a share for a stock earning 1.78 a share. The stock, as I have stated before, has little, in my opinion, opportunity for enhancement in value, and the investor who buys this equity must be fairly sure that he is going to have a continuity of earning power, that he is going to buy it on a reasonable times earning basis, and that the earnings will continue to a point where there can be a satisfactory dividend paid him that will substantiate the price and still leave a fair margin to go back into the surplus of the company.

Q. Now, Mr. Boenning—

A. I have two other points there.

Q. —will you cite some illustrations of bonds, preferred stocks and common stocks of public utilities that are selling

in the open market on a basis comparable to that suggested by you in your testimony here today?

A. This is quite detailed, Mr. Miles. Do you want me to go into it—

Q. Oh, no.

A. —in detail?

Q. I would just cite two or three illustrations.

A. I have selected a list of operating company public utility bonds. According to this schedule I have taken [fol. 1348] two four-per cent coupons, two four and one-half, and four five per cent coupons.

The closest illustration that I can give here is compared with the Northern Pennsylvania Power 5s of 1962. That company is earning its interest charges for the twelve months ending June 30, 1937 2.07 times, as compared with the Edison, proposed Edison Light and Power, which bonds we are prepared to buy, of 2.72 times.

The depreciation property values; in arriving at that I have taken the value of the property and deducted accrued depreciation. The value of that property value in the Northern Pennsylvania Power is approximately seven million dollars, as compared with five million, five hundred thousand dollars in the Edison.

The amount of the mortgage debt outstanding in the Northern Pennsylvania Power is three million, seven hundred and seventy thousand, which is fifty-four per cent of the value, as compared with the Edison of three million, one hundred thousand outstanding, and a percentage of fifty-six per cent.

The current market, on the Northern Pennsylvania Powers is 103. The indicated retail price on the Edison bonds would be par, but, as I stated, we must make our [fol. 1349] bonds to be offered and sold to the public at a price below that at which seasoned public utility bonds are selling.

The Northern Pennsylvania bonds are rated BAA by Moody. It is our definite opinion that the Edison Light and Power in the set-up that we have suggested would command the same rating. So much for the bonds.

I have selected a list of six operating company public utility preferred stocks, currently selling in the market, and in addition five other operating company stocks which are



operating outside of the State of Pennsylvania. If Your Honors please, I will give just one concrete illustration.

Pennsylvania Power and Light seven dollar preferred stock is currently selling in the open market and on the New York Curb Exchange at 91. At that price the yield is 7.69. On the Edison Light and Power our contemplated retail price to the investor was 7.78.

The earnings of the Pennsylvania Power and Light Company for the twelve months ending November 30, 1937 were a trifle over twice; on the Edison Light and Power they ran 2.94.

[fol. 1350] The overall, that is, the coverage of the bonds and preferred, on the Pennsylvania Power and Light for the same period of time, November 30th, were 1.42, as compared with an overall of approximately 1.73 on the Edison. I have taken the net values available for the preferred after deducting all of the funded indebtedness outstanding.

In the Pennsylvania Power and Light Company there is an amount—these are book figures taken from their balance sheet—of sixty-nine million dollars available for sixty million dollars' worth of par value preferreds. On the Edison there is two million, four hundred thousand dollars available for one million, three hundred and fifty thousand preferred.

I am drawing the illustration that the Edison is comparable with a typical Pennsylvania public utility, probably a trifle better, under the illustration given, but, as stated, we must make these securities and offer them to sell below that of seasoned securities in the market.

The comparison on the common stock is rather difficult, and I have selected about six here. It is unfair in my opinion [fol. 1351] to compare the equity earnings or the times earnings on a property with a three million dollar gross or a two million dollar gross, such as, approximately, in this Edison Light and Power property, with that of a company having a gross of possibly twenty times that amount; of a new company, such as the Edison Light and Power Company, as compared with a seasoned common stock which has been selling on some recognized exchange for quite a long time. The Consolidated Edison of New York, as a concrete illustration, earned \$2.17 on its stock for the twelve months ending September 30, 1937. It paid during that twelve months period of time two dollars, so that it yielded the investor eight per cent. The market was around 25, the times

earning, 11, but that company had a gross of two hundred and thirty-four million dollars, which is approximately one hundred times as great as that proposed on the Edison.

As compared with a smaller company, that is, compared with Community Public Service Company, that company earned for the twelve months ending September 30, 1937, a trifle over \$3.50 a share. They paid two dollars last year. The stock at its present selling price of 20 yields the investor ten per cent. It is selling at 5.7 times earnings, and [fol. 1352] had a gross of approximately three million dollars. Now, comparing the Community Public Service earnings per share on common of \$3.52 with \$1.78, the yield of ten per cent on Community with an indicated yield of 9.1 per cent, at a retail price or market price of 20 as compared with 15, and the times earnings of eight and one-half as compared with 5.7 times, if this common stock were to be disposed of to the public or to be disposed of in volume the spread between the indicated purchase price of 12 $\frac{3}{4}$  and 15 would be unwarranted, but this is going to mean disposing of this stock to many investors and in many places, and the cost, therefore, must be necessarily high in such distribution.

In addition, there is considerable resistance on the part of the individual investor today due to increasing taxes, which he always has in the back of his mind, and which he always advances as a buying argument against a utility property, and the possibility—it depends how badly he doesn't want to buy the stock, how much he makes of it—and the possibility of inflation.

Q. Now, have you made any study of the annual operating income or net revenue that the Edison Company would require after the payment of its operating expenses in order to have a sum sufficient to pay its fixed charges on the bonds you have suggested, the dividends on its preferred stock, and leave a sum sufficient remaining available for dividends on common stock and surplus?

A. I have, Mr. Miles.

Q. Now, what is the amount of operating income or net revenue that you feel would be required to meet those purposes?

A. In order to realize the sum of five million, five hundred thousand dollars in cash it is my opinion that the company, after deduction of operating expenses, adequate depreciation and taxes, should have minimum earnings of \$432,650.

# MICRO

## TRADE M



## MICRO EDITION

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON  
901 TWENTY-SIXTH STREET, N.W., WASHINGTON, D.C.

2

6

1

3

**CARD**  
MARK **®**

**22**

**OCARD<sup>®</sup>**  
**NS, INC.**

MICROCARD AND MICROFICHES

20037, PHONE (202) 333-6393

**3**

**8**

**-**

**9**

**9**

**m**

microcard

By Judge Dickinson:

Q. How much?

A. \$432,650.

By Mr. Miles:

Q. Have you prepared a summary setting forth the amount of bonds and the number of shares of preferred and common stock that in your opinion could be sold by the Edison Company for the purpose of raising five million, five hundred thousand dollars, and dealing with the prices, yields and percentages to which you have referred?

[fol. 1354] A. I have.

Q. Have you prepared a similar statement on the assumption that the Edison Company was required to raise five million, two hundred and fifty thousand dollars?

A. I have.

Q. I hand you a statement consisting of two sheets, and ask you whether they are the studies to which you referred in your last answer.

A. That is correct, Mr. Miles.

Mr. Miles: I assume that we may be permitted to offer this in evidence, entitled Complainant's Exhibit A.

Mr. Miller: If Your Honors please, we object to the exhibit as based upon an assumed capitalization of five million, five hundred thousand dollars, whereas the Commission's temporary order was based on a finding of rate base of five and a quarter million dollars, five million, two hundred and fifty thousand dollars—

Mr. Miles: Of course, Your Honors—

Mr. Miller:—so that this does not apply to the rate of return in the Commission's order.

Mr. Miles:—if we agreed to the Commission's order as [fol. 1355] to value we would not be here today. The purpose of this exhibit is to show the proper return with respect to the value which we claim is five million, five, and to show the same thing, in all fairness, with respect to that which the Commission claims is five million, two hundred and fifty thousand dollars.

Judge Davis: We will take the evidence, Mr. Miles.

(Statements entitled "Proposed Financing to Realize \$5,500,000 cash to the company based on present security markets" and "Proposed Financing to Realize \$5,250,000 cash to the company based on present security markets" were marked Complainant's Exhibit A. A copy thereof follows:



## COMPLAINANT'S EXHIBIT "A"

## "Company Exhibit

## Proposed Financing to Realize \$5,500,000 Cash to the Company Based on Present Security Markets

	% of Capitali- zation	Prices Paid Company	Suggested Retail Prices	Amounts Paid Company	Annual Interest and Dividends	Times Charges Earned	Per Cent Yield of Securities	
							On Company Price	On Retail Price
\$3,100,000 20-Year 5% Bonds	56.3	97	100	\$3,007,000	\$155,000	2.79	5.24	5.00
\$1,350,000 (27,000 shs.) \$3.50 Preferred— Par \$50	24.5	45-1/8	48	1,218,375	94,500	2.88*	7.78	7.29
100,000 shs. \$10 Par Common	19.2	12-3/4	15	1,275,000	178,000	\$1.78 per sh.	7.14	8.47
Total Proceeds to Company				5,500,375				
Annual amortization of bond discount					428,000			
					4,650			
Total Amount fixed Charges to Company					432,650			

\* Overall annual charges earned on bonds and preferred stock is 1.70 times.

It is assumed that the Company has made provision in its tax liability for assumption of Pennsylvania Personal Property Tax up to five mills on its bonds. No amount provided for refund of various other State taxes that may be necessary.

## COMPLAINANT'S EXHIBIT "A"

1054

## Company Exhibit

Proposed Financing to Realize \$5,250,000 Cash to the Company Based on Present Security Markets

	% of Capitali- zation	Prices Paid Company	Suggested Retail Prices	Amounts Paid Company	Annual Interest and Dividends	Times Charges Earned	Per Cent Yield of Securities		
							On Company Price	On Retail Price	Times Earnings
\$3,000,000 20-Year 5% Bonds	57.1	.07	100	\$2,910,000	\$150,000	2.72	5.24	5.00	
\$1,300,000 (26,000 shs.) \$3.50 Preferred \$50 Par Stock	25.7	45	48	1,170,000	91,000	2.80*	7.78	7.29	
100,000 shs. \$10 Par Common	17.2	11-3/4	14	1,170,000	153,000	1.68 per sh.	6.94		8.33
Total Proceeds to Company				5,250,000					
Annual Amortization of bond discount					404,800				
					4,500				
Total Amount fixed charges to Company					409,300				

\* Overall annual charges earned on bonds and preferred stock is 1.66 times.

It is assumed that the Company has made provision in its tax liability for assumption of Pennsylvania Personal Property Tax up to 5 Mills on its bonds. No amount provided for refund of various other State Taxes that may be necessary.

7.8% overall cost of money.)

[fol. 1358] By Mr. Miles:

Q. Now, Mr. Boenning, this exhibit, as I understand it, shows the percentages of bonds, preferreds and common stock that you have suggested in your testimony, the prices at which it would be sold, and the yields?

A. That is correct.

Q. And you set forth the proceeds that would be received from the sale and the amount of income that would be required to support those securities?

A. That is correct.

Q. Mr. Boenning, have you any opinion as to the effect of the activities of the national administration upon the cost to public utilities of obtaining money from the sale of securities to the public?

Mr. Miller: Objected to, Your Honors. I don't think testimony to that effect is relevant at all on the proper rate of return to be allowed. The company depends upon local conditions peculiar to the territory and operations of that company, and unless this witness is prepared to testify that specific national conditions have had a specific effect upon the local territory of the Edison Light and Power Company we submit his testimony is irrelevant and improper.

[fol. 1359] Mr. Miles: If I may be heard on the question, Your Honors, it seems to me perfectly fundamental that if there is anything that is relevant to the question of return to which a public utility is entitled it is prevailing conditions in the country at the time that contemplated securities would be offered. Now, Your Honors know without me having to argue, and I think Your Honors can at least take judicial notice of the fact because by virtue of Congressional enactment there are federal agencies in this country today competing directly with public utilities, and there are other federal agencies supplying grants and loans to others to compete with public utilities. Now, certainly it seems clear to me that we are entitled to ask an expert—and this gentleman is offered in that capacity, as a banker and an expert dealer in securities—what effect, if any, those activities have had upon the investing public, because that is where we have to go to raise our money, and the activities of the national administration or anything else which affect the public markets we submit is clearly admissible.

Mr. Cohen: If Your Honors please, the gentleman has [fol. 1360] just testified as to the sale of the bonds, the sale

of the preferred stock, and the sale of the common stock, and he has indicated with his expert knowledge what moneys they could receive. Now, I cannot see the relevancy of this further testimony, because he already has testified what money would be accruing to the Edison Company on the sale and the disposition of these securities, and he has given that as his opinion.

Mr. Miles: And we say he is entitled to support that opinion by any factors that enter into it.

Judge Buffington: Just wait, Mr. Miles.

Mr. Cohen: And if that might be a factor that came in to his conclusion, nevertheless, he based all his factors upon similar sales of similar issues in the Commonwealth of Pennsylvania. We have the answer from this expert right here, without going into a lot of extraneous matters, most of which the Court can take judicial notice of.

Judge Buffington: Well, Mr. Cohen, it seems to us that the attitude of an administration, either national or state, might affect the marketing of securities.

Mr. Cohen: That is very true, but we already have that answer, Your Honor.

[fol. 1361] Judge Buffington: Well—

Mr. Cohen: He has already testified—

Judge Buffington:—we will hear it. We will take it in less time than we can argue about it. Proceed.

A. The general unfriendly or hostile attitude of the Federal Administration and the specific acts and activities of the Federal Administration have had a most adverse effect on the ability of the public utility companies to raise money. This is true not only with the companies that directly come under the scope or within the zone of the Government activities, but throughout the entire country. In the past approximately six months there has been practically no public utility financing of any character except that of some of the highest grade issues, which have been almost entirely bought by large institutions, such as insurance companies or banks. There has been a negligible amount of junior financing either in the form of preferred stocks or of common stocks. The definite activities of the TVA, which in my opinion are simply subsidized competition by the Government—

By Judge Davis:

[fol. 1362] Q. Well, now, haven't you answered the question?

A. I think so.

Q. All right.

A. I can give you one illustration, Your Honor.

Q. No, I think you have answered the question.

By Mr. Miles:

Q. Now, have you any opinion as to the effect of the activities of the Pennsylvania Public Utility Commission upon the cost to utilities of obtaining capital in the public markets?

Mr. Miller: We object to that, for the same reasons, Your Honors.

Judge Davis: Yes, and the same ruling.

Mr. Miller: We would like an exception—

Judge Davis: Yes.

Mr. Miller: —to our objections, and testimony taken subject—

Judge Davis: Well, you may have an exception.

A. Shall I answer the question? The situation in Pennsylvania as far as the reaction toward the buying public in connection with the public utility securities of operating [fol. 1363] companies has been even more adverse than those operating outside of the State. I speak from the reaction directly from investors that we talk to. This is not only from those who are responsible for the investment of large sums of money, such as trust companies or trust funds, but down to the smallest investor. They are fearful of two things. They are fearful of the enactment and the power contained in the new public utility law, and they are fearful of the actions or the possibility of unfavorable action on the part of the Commission itself.

Two illustrations—

Judge Davis: I think you have answered the question.

The Witness: Yes.

Mr. Miles: That is all, Mr. Boenning.

Cross-examination.

By Mr. Miller:

Q.: Mr. Boenning, are you familiar with the testimony taken before the Commission in this proceeding?

A. I have read it over, Mr. Miller. I am not familiar with it entirely.



Q. Did you read the sections relating to rate of return? [fol. 1364] A. I did not. If I did I would not be sufficiently conversant with them to pass on it.

Q. You don't know what is in that record, placed in the record by the Complainant here, as to rate of return?

A. I do not.

Q. Now, you stated that you had underwritten certain security issues, among them the Wayne Sewerage Company security issue. Was that an ordinary underwriting transaction?

A. We bought the property as a firm from the old American Pipe and Construction Company, which was owned by Mr. Clarence Geist. Mr. Geist owned jointly the Wayne Water Works Company and the Sewerage Company, and for very good reasons he did not like the association of the two, and we, therefore, bought the Wayne Sewerage Company, paid for it in cash, and sold the bonds to the public.

Q. Then that was a case of issuance of the securities to a construction firm, and you purchased from the construction firm and sold to the public?

A. That is correct; the title of it happened to rest in the American Pipe and Construction.

Q. Now, you testified as to what in your opinion rating companies would do and the manner in which they would [fol. 1365] regard a financing transaction in connection with the Edison Light and Power Company. What investigation did you make to determine the attitude of rating companies?

A. We have had considerable experience with the rating companies—

Judge Buffington: Would you mind turning your face around this way—

The Witness: I am sorry.

Judge Buffington: —without disrespect to counsel?

Mr. Miller: That is quite all right, sir.

A. (Continued.) We have had considerable experience in knowing approximately how their minds run in making up their ratings for any particular bond issue. If the percentage of debt, as I stated in the testimony, becomes too high, if the coverage of interest on the bonds gets below a certain normal standard, or if the equity is not sufficiently great in their opinion, and that coupled with other factors, such as the character of the territory, whether it is stable or not, more particularly the record of the earnings and the

continuity of the record of earnings over the period past—such factors generally enable me to state in my opinion that this bond under these conditions would command a BAA [fol. 1366] rating by Moody's, which is sufficient to enable them to be eligible for purchase by banks.

By Mr. Miller:

Q. Now, you stated that the Northern Pennsylvania Power Company in your opinion was a company which was comparable, and closely comparable, to the Edison Light and Power Company, did you not?

A. Correct.

Q. And would that statement also apply to the Pennsylvania Power and Light Company?

A. No, the Pennsylvania Power and Light Company have a better rating. They have one hundred and twenty million dollars' worth of debt outstanding, as compared with three million, one hundred thousand. They cover a much more diversified territory. I don't think, Mr. Miller, that the two bonds are comparable. Moody's rating on the Pennsylvania Power and Lights is A, as compared with a probable BAA.

Q. Now, in your opinion do local conditions and the character of territory affect the rate of return?

A. You mean local in York County, Mr. Miller?

Q. Yes, as applied to this company locally, in Allentown, or the Pennsylvania Power and Light Company area, in the [fol. 1367] case of that company, and similarly of other utilities.

A. The character of the community would definitely have a bearing on the value of its securities, yes. Do I answer your question, if I understand it correct?

Q. No, does it have a bearing on the rate of return, or would your answer to that question be "Yes"? If it has a bearing on the value of the securities it would have a bearing on the proper, allowable rate of return, would it not? Will you just answer that?

Judge Davis: If you shake your head the stenographer can't hear you, Mr. Boenning.

The Witness: Pardon me?

Judge Davis: If you shake your head the stenographer can't hear that.

The Witness: Would you mind stating the question again?

Judge Davis: The stenographer will read it.

Mr. Miller: The stenographer will read the question.

(The question was repeated by the Reporter, as follows:

"Q. No, does it have a bearing on the rate of return, or would your answer to that question be 'Yes'? If it has a [fol. 1368] bearing on the value of the securities it would have a bearing on the proper, allowable rate of return, would it not? Will you just answer that?")

A. In answering that, you mean the rate of return on the bonds, that the bonds would sell at a higher figure, or are you considering, Mr. Miller, the rate of return on the property itself?

By Mr. Miller:

Q. I am considering the rate of return on a property itself.

A. The answer is, yes.

Q. Well, now, taking the bond financing, would it have an effect on that?

A. Yes.

Q. And on the preferred stock financing?

A. Correct.

Q. And on the common stock financing?

A. Yes.

Q. Have you investigated the local conditions in the York area, the area served by the Edison Light and Power Company?

A. I know them generally, Mr. Miller. We have a man who until the last two years has been a salesman and a representative of ours stationed in York, so we rather had first- [fol. 1369] hand information concerning conditions generally up there of a financial character. Since that time he has left our employ, but our relationships are very close.

Q. Do you know whether that area is highly prosperous or is not highly prosperous?

A. At the present time I would think that it was not highly prosperous. I understand that there are a number of the cigar factories and other local factories closed down.

Q. Where did you obtain that information?

A. From this former representative of ours in York.

Q. And when did you obtain that information?

A. Within the last two weeks.

Q. Did he give you any information relative to the York Refrigerating Company, the York Ice Machinery Company?

A. Nothing specific concerning that, although I am informed from other sources that their business is running along in very excellent shape.

Q. Did he mention any other adverse factors other than the decline in cigar manufacturing?

A. Some of the other smaller manufacturing companies he said were either working on part time or closed up entirely.

[fol. 1370] Q. Do you know how many consumers per square mile the Edison Light and Power Company has?

A. I don't know, Mr. Miller.

Q. Do you know how many consumers per mile of line?

A. I do not, I have never—never figured the calculation.

Q. Do you know the conditions under which the Edison Light and Power Company secures its supply of power?

A. I do.

Q. What are those conditions?

A. On contracts expiring in 1945, I think is the date, they obtain approximately half of their power requirements from a subsidiary—I think it is the Holtwood Power Company—a subsidiary of the Pennsylvania Water and Power Company, and the other approximate half from the Metropolitan Edison. I think the ratio, Mr. Miller, it about forty-sixty; I said approximately fifty-fifty.

Q. Have you made any personal investigation of the conditions in the Edison Light and Power territory in preparation for presentation of the testimony you have given today?

A. I have not.

Q. Then I presume you are not prepared to state what, if any, effect national or state governmental action by any [fol. 1371] agency of government has had upon local conditions in the York area?

A. I think—I think it has had a vital effect, Mr. Miller.

Q. Well, did you make any investigation to determine—

A. Well, you are asking—

Q. —whether it had any effect at all or not?

A. That would affect all public utility companies generally, regardless of whether they came under the scope, as

I testified, of the Government activities or without. It is reflected in the cost of money today to the public utilities.

Q. Would it affect the Philadelphia Electric Company?

A. Not as much as a smaller system. That is a well integrated, large operating company, and operating in a density of population, as compared with a company that didn't have nearly as many consumers per square mile.

Q. Well, you cannot be comparing that with the Edison Light and Power, because you don't know the density of their territory, do you?

A. That is correct. There is no comparison in any event, on account of the size of the company and the situation.

Q. Can you tell me whether the company in the past few [fol. 1372] years has earned this \$432,650 that you state should be available for return?

A. If the figures that I have, if we are talking the same net income figures, Mr. Miller, I think those figures have been exceeded in 1935, '6 and '7.

Q. By how much, can you tell me?

A. I can give you the actual figures if you would like it. For the twelve months ending September 30, 1937 the item carried here as "Balance of income" is five hundred and thirty thousand dollars. That item was five hundred and sixty-eight thousand dollars in 1936, and six hundred and twelve thousand dollars in 1935.

Q. Well, now, you say the "item carried here". What does "here" mean?

A. That is after provision for taxes, after depreciation, and after one deduction, interest on unfunded debt, which is practically constant during the whole of those three years.

Q. Was a deduction made from operating expenses for rate case expenses in that computation?

A. I cannot tell.

Q. Where did you secure that?

A. I obtained it from the company.

Q. You made no investigation to determine the accuracy [fol. 1373] or the basis for those figures, did you?

A. I did not.

Q. Did you make any investigation behind any figures supplied to you by the company?

A. These were the only papers that I know, with the exception of the balance sheet as of September 30th, supplied by the company.

Q. In other words, so far as the operations of the Edison



Light and Power Company are concerned you relied upon figures supplied to you by the company?

A. That is correct.

Q. Without an independent check?

A. That is correct.

Q. Have you made any investigation as to the actual cost of financing of the Edison Light and Power Company?

A. I think that is all explained definitely in that exhibit, Mr. Miller.

Q. No, I mean the actual cost, if any, incurred on that account.

A. In making up that schedule there has been no provision made whatever for any registration expenses, or engraving of certificates, attorneys fees, or anything of that character. That is a non-recurring charge in the event of financing, and my figures are based on an annual earnings basis.

[fol. 1374] Q. Yes, but you testified that the bonds would be purchased, would be taken by you at 97 and sold at one hundred.

A. That is correct.

Q. Now, that would be a three per cent cost of financing, would it not?

A. Oh, you are figuring that way—yes.

Q. Well, now, did you make any investigation to determine the actual experience of the Edison Light and Power Company as to cost of financing? Of course, they don't have any bonds, but I mean as to the issuance of the stock, did you make any investigation in that regard?

A. I am taking into account comparable situations, Mr. Miller.

Q. Did you make any investigation as to the actual experience of the Edison Light and Power Company?

A. No, they have had no experience. They are a wholly-owned subsidiary.

Q. And they have experienced no cost of financing?

A. Not up to date. I don't think they have ever done any public financing. If it has, it has been so long ago—

Q. No, well, you will just answer my question, if you will, [fol. 1375] please. Have they experienced any cost of financing?

A. No.

Mr. Miller: That is all I have.

### Redirect examination.

By Mr. Miles:

Q. When you stated that the company has experienced no cost of financing are you referring to cost experienced by it in connection with the public sale of securities?

A. That is correct, Mr. Miles.

Mr. Miles: That is all.

### Recross-examination.

By Mr. Cohen:

Q. Just one further question, Mr. Boenning. There are presently outstanding what extent of York Railways bonds?

A. Approximately five million, par value.

Q. Five million dollars par value?

A. That is right.

Q. And the title, the ownership of those bonds—or, put it the other way, the ownership of the Edison is in the—Edison stock—is in the hands of the trustee for the bondholders, is that correct?

A. That is correct.

Q. And under that trust agreement, as you know it, the [fol. 1376] bondholders in reality own at the present time—in theory, at least—the stock of the Edison Company and could utilize the Edison Company stock to liquidate the indebtedness of the bondholders, is that correct?

A. That is theoretically correct.

Q. All right. Do you know at what price the bonds are now selling?

A. In the early 80's; I think about eighty-five, Mr. Cohen.

Q. Do you want us to understand that you are here as an expert both in public utility financing and in banking, Mr. Boenning, and that you are cognizant with the Edison Light and Power Company and its intercompany relationship? Is that your function at this hearing, Mr. Boenning?

Mr. Miles: Now, Your Honor, I object to that sort of question.

Judge Davis: No, he knows whether he is here as an expert or not.

Mr. Miles: No, but not as to the familiarity with the intercompany relationship.

Judge Davis: Well, let him answer the question.

The Witness: Will you repeat your question, Mr. Cohen?  
[fol. 1377] Judge Buffington: Just read it.

(The question was repeated by the Reporter as follows:

"Q. Do you want us to understand that you are here as an expert both in public utility financing and in banking, Mr. Boenning, and that you are cognizant with the Edison Light and Power Company and its intercompany relationship? Is that your function at this hearing, Mr. Boenning?")

A. I am generally familiar with such conditions.

By Mr. Cohen:

Q. And being familiar and being called as an expert for the Edison Company, do I understand that you say that the bonds of the York Railways, which theoretically; now, hold the title to the stock of the Edison Company, are selling between 80 and 85? You so have testified, have you not?

A. That was my statement, that I thought that was the approximate market. I haven't followed the market—

Q. You haven't followed it?

A. —closely on those bonds.

Q. Then you are not such a good expert?

A. Maybe I haven't looked at the paper lately, Mr. Cohen.  
[fol. 1378] Q. Well, now, I will show you the paper. You are familiar with the Commercial and Financial Chronicle, are you not?

A. Yes, sir.

Q. Do you know on what exchange the York Railways bonds are selling?

A. New York Curb Exchange.

Q. That is right. You would accept this as an accurate representation of the selling price of the York Railways bonds, would you not?

A. On the date specified, I would.

Q. I show you the Commercial and Financial Chronicle, of New York, January 8, 1938, on page 275, and ask you at that time what were the bonds of the York Railways Company selling for.

(The paper was shown to the witness.)

A. The market quoted at that time was 70 bid; offered at 71.

By Mr. Cohen:

Q. That is a long way from 80 to 85, is it not?

A. The last time I looked at the bonds, Mr. Cohen, the bonds were selling at around 85.

Q. When was that?

A. It was before that time, I think some time in the early [fol. 1379] part of December or latter part of November. I haven't followed their prices since that time.

Q. Then the ultimate consumers, the market for the ownership of the Edison, on five million dollars of outstanding bonds are at the present time taking a mark-down of some thirty per cent, are they not?

A. That is theoretically correct, yes.

Q. Therefore, the consumer, or, rather, the purchaser of the Edison property is not valuing the property at five and one-half million dollars, but is valuing the company at four million, five hundred thousand dollars.

A. Those bonds happen to be overdue bonds, Mr. Cohen, and as such—

Q. But they still represent the ownership of the Edison property, do they not—

A. The company—

Q. —overdue or not overdue?

A. The title to the ownership of that stock as far as I know has not changed, but the fact that they have become due and were not paid would seriously affect their market value.

Q. And that is leaving out, also, in the value the ownership of the York Steam Heating Company and the ownership of the York Railways Company, which is also subject [fol. 1380] to the lien of the bonds—

A. Correct.

Q. —is that correct, and the York Bus Company?

(The witness nodded assent.)

Judge Davis: The answer is "yes".

Mr. Cohen: The answer is "yes".

By Mr. Cohen:

Q. Now, this estimate of value of five and a half million dollars was an estimate that had been given to you by the company, was it not?

A. No; by Day and Zimmermann.

Q. By Day and Zimmermann, and the estimate of the operating expenses, were they given to you by Day and Zimmermann?

A. The operating expenses were included in the statement given me by the company.

Q. By the company. You have no knowledge as to the veracity or the authenticity of those operating expenses, have you?

A. I have not.

Q. You have not.

Mr. Cohen: That is all.

By Mr. Miller:

Q. Mr. Boenning, just let me clear up this point as to [fol. 1381] cost of financing. The Edison Light and Power Company has never incurred any cost of financing aside from possible mechanical costs either in relation to public sale of securities or private transfer, has it?

A. Not to my knowledge, Mr. Miller.

Mr. Miller: That is all, thank you.

Redirect examination.

By Mr. Miles:

Q. Now, Mr. Boenning, these bonds that Mr. Cohen talks about selling around 75 or 80—

Mr. Cohen: Just a moment, I didn't talk about the selling price, Mr. Boenning talked about the selling price.

By Mr. Miles:

Q. What is the price that you have assumed that the Edison Company would get for the bonds, in your direct testimony?

A. As I have stated, we are prepared to pay 97 for a first mortgage, twenty-year, five per cent coupon, amounting in principal to three million, one hundred thousand dollars.

Q. Now, assuming, in line with counsel's cross-examination, that the property of this company was only worth four million, five hundred thousand dollars, could you support [fol. 1382] three million, one hundred thousand dollars of bonds?

A. I think not.



Q. You would have to sell more preferred and common stocks?

A. You would have to change your ratios downwards in all cases.

Q. And would that be considerably more costly to the company?

A. Without a doubt.

Mr. Miles: That is all, sir.

#### Recross-examination.

By Mr. Miller:

Q. It would be costly in the cost of financing, but not in the rate of return, would it, Mr. Boenning?

A. You are asking me—

Q. Yes.

A. Mr. Miller, I am not concerned in this matter with the rate of return, I am simply concerned with the sufficient number of dollars existing after proper operating expenses, proper depreciation and taxes that will support a financial structure sufficiently attractive to be sold to the public.

Mr. Miller: That is all.

[fol. 1383] Judge Buffington: We will take a recess until half past one.

(Recess, 12.30 until 1.30 o'clock P. M.)

#### After recess

Present: Counsel as before noted.

Judge Davis: Now, Mr. Miles, how many more witnesses have you?

Mr. Miles: I have three, Your Honor.

Judge Davis: How long is it going to take to examine them?

Mr. Miles: Well, I should say their direct examination, two of them would run about thirty minutes each, and the other one about five or ten minutes.

Judge Davis: And, Mr. Miller, do you have any witnesses?

Mr. Miller: We will have one witness, Your Honor.

Judge Davis: And how long—

[fol. 1384] Mr. Miller: At least.

Judge Davis: —will it take you to get through with him?

Mr. Miller: I think about fifteen minutes.

Judge Davis: Well, that is fine. We would like to surely get through by four o'clock. If you will just jog along good and fast—

Mr. Miles: We certainly will do the best we can, Your Honor.

Judge Davis: We would appreciate it. All right.

GEORGE H. KNUTSON, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Miles:

Q. Mr. Knutson, will you please state your full name, residence and occupation?

A. George H. Knutson. I live in Manhattan. I am in business in Manhattan as a consultant on public utilities and industrials.

Q. Now, what is the nature and scope of your activity as a consultant with respect to public utilities?

[fol. 1385] A. I am concerned with all problems, management, operations, engineering, construction and financing, rate work, and general economic problems of public utilities and industrials.

Q. Now, have you had any experience in connection with the preparation of inventories and operating studies of public utilities?

A. Yes, sir.

Q. What has been the nature of that experience?

A. Well, I have been in the business all my life. I was graduated in 1908 from the University of Michigan, and I have been in the public utility business in engineering, construction, operation and management and finance from then until now.

By Judge Buffington:

Q. University of what?

A. Michigan.

Q. University of Michigan?

A. Yes, sir.

By Mr. Miles:

Q. Were you in the past connected with any financial institutions?

A. Yes, sir, I was with the Harris Trust—

Q. Little longer, Mr. Knutson.

[fol. 1386] A. I was with the Harris Trust and Savings Bank in Chicago as their economic man, and had to do with the set-up of all financing that they did during the years I was with them. That covered thirteen or fourteen public utilities in as many different States, with total assets of over seven hundred millions, and my job was to pass upon the issue and the amount, the time, how it should be set up to market, the trust indentures, the sales scenery, the provisions surrounding it; dovetail and act as a hub for expert reports, accountants, engineers and investigators and appraisers, and set the issue up in amount-ready for the sales department, and put a price on it at which it would be sold to the public, and then I usually sold the issue to the salesmen, doing economic work in connection with that, management, operation, territory, finances, credit with the community, with the public service regulatory commissions, and what not.

Q. Now, Mr. Knutson, have you had any experience in an executive capacity on any public utility corporations?

A. Yes, in 1930 I went as vice-president of the Central Public Utility Corporation, which had one hundred and seventy-two operating properties in the United States and foreign countries, and my job there was management and [fol. 1387] operation and finances.

Q. Now, are you generally familiar with the properties and business of the Edison Light and Power Company?

A. Yes, sir.

Q. Have you actually inspected the property of the company?

A. Yes, sir.

Q. Have you had occasion to look into its earnings for calendar years 1935, 1936 and 1937?

A. Yes, sir.

Q. Have you had occasion to examine its balance sheet as of September 30, 1937?

A. Yes, sir.

Q. Now, Mr. Knutson, having in mind your past experience as a utility executive, your experience in connection

with the purchase and sale of public utility properties and securities, and having particularly in mind the property, business, earnings and financial condition of the Edison Light and Power Company, will you please state what rate of return is in your opinion necessary for the company to be permitted to earn—

A. A minimum of—

Q. —on the fair value of its property in order to insure an efficient and economical operation of its business at reasonable rates.

Mr. Miller: Objected to. That is a matter for the Commission or the regulatory body or the Court to determine. It is a matter of judgment, and is not a matter for the witness to express an opinion upon. I have no objection to the witness stating the factors which will enter into the solution of the problem, that will inform the Court so that it may arrive at a proper conclusion, but I object to the witness stating a conclusion.

Judge Davis: Well, he is an expert. We will hear what he has to say, and give you an exception, and consider it as expert testimony in which he is expressing an opinion, merely.

A. A minimum of eight per cent during this period.

By Mr. Miles:

Q. Now, will you summarize the factors or considerations which have entered into your mind in reaching your conclusion that eight per cent is the required rate of return for this company?

A. Well, the rate of return is the wages of capital, and has to be an amount earned sufficient to interest capital in an enterprise, and everything in connection with the enterprise has to be taken into consideration in order to [fol. 1389] interest this capital. The hazard involved must be considered, the substantial ratio and history of the property, whether or not the requirements for money are great, and whether or not they can be raised, with the capital interests that do have their money in it, whether or not the property is in good territory, substantially, whether there is a great deal in your change of art which has to go through, requiring additional capital, whether or not the business will go up and down, or whether it will be fairly stable, something to do with the cost of money and how it repre-

sents the values involved at the time, and practically everything which would say that the earnings are sufficient to attract capital over a period and insure not only a substantial return, but give a security representing that capital which will be fairly liquid and something that a person could dispose of if they required, under reasonable circumstances.

Q. Now, Mr. Knutson, have you any opinion as to the effect of the activities of the national administration upon the cost to public utilities—

A. Yes, I have.

Q. —of acquiring capital.

Mr. Miller: We make the same objection.

[fol. 1390] A. Yes, I have.

Judge Davis: Yes, and you may have an exception, Mr. Miller.

A. (Continued.) Well, the Government-subsidized competition, which we have represented by TVA, and PW, and the rural electrification, I mean, is something which is very serious in thinking about raising capital for public utilities at this time, because, naturally, we have to think about the competition and whether our principal amount is going to be wiped out and lost; and where we have a forty-five per cent grant and a great many other emoluments against us it is going to be very difficult to compete against that, and, naturally, we would not look with as much favor upon investing money in a public utility today as we would if these public utilities subsidized competitive agencies were not in effect.

By Mr. Miles:

Q. Now, have you any opinion as to the effect of the activities of the Public Utility Commission of Pennsylvania—

A. I have also—

Q. —upon the cost to Pennsylvania public utilities of acquiring capital?

[fol. 1391] A. Yes.

Mr. Miller: Same objection.

Judge Davis: Yes, you may have an exception; overruled.



A. (Continued.) Well, it is the actual fact that I am sure every investment banker will agree to that it is more expensive to raise capital for public utilities in Pennsylvania today than it was before this act was put into effect. We here really have the Legislature delegating powers to a commission, in which they can set a temporary rate, which for all purposes can be continuing for any time, and that rate can be sufficient to earn only a five per cent return on the depreciated original cost of the physical property—assets, really, they mean; I think the word is “physical assets”—and, of course, that does not assure any continuity of revenue for the capital that I would put into a public utility in Pennsylvania.

Now, as to the comments that we have, the public press and the investor go hand in hand, and the investor is met—and when we raise capital we always think of the investor, of course, and these comments do not lead to cheaper money for the public utility in Pennsylvania—

[fol. 1392] Mr. Miller: Now, I object if the witness is going to read comments from some unidentified paper.

The Witness: I will identify it.

Mr. Miller: I can't see that that is relevant.

Mr. Miles: He is about to identify it.

The Witness: I will identify that. We have the Moody's Public Utilities, page 1962, on 8/4/37—

By Mr. Miles:

Q. You mean on August 4, 1937?

A. That is correct.

Q. And what is Moody's Public Utilities?

A. That is one of the four or five substantial, well-known financial services which the financial people consider when they think about raising capital:

“According to press reports of July 31, 1937, Richard J. Beamish of the Pennsylvania Public Utility Commission has stated that every electric power company in the State is overcharging for service and that the Commission will seek lower rates for users of electricity.”

By Judge Davis:

Q. Well, now, Mr. Knutson, you are not passing on the truth of that statement—

[fol. 1393] A. No.

Q. —at all, as to whether Mr. Beamish made it or did not make it—

A. No, sir.

Q. —but only upon its effect—

A. That is correct.

Q. —upon the securities—

A. Yes, sir.

Q. —and financing?

A. And the cost of raising money and rate of return.

Mr. Miller: We submit it is perfectly irrelevant unless it is shown that it has had an adverse effect upon conditions which would govern the financing of the Edison Light and Power Company. Even supposing the statement to have been made, and even supposing that Moody quoted it correctly, it would have to be related to the particular matter before the Court to be relevant, we submit.

Judge Davis: Well, that is an element that we might consider, Mr. Miller, so we will admit it and grant you an exception.

A. (Continued.) The Philadelphia Inquirer on Friday, July 30, 1937, carried the following story, headlined "Promises Lower Rates":

[fol. 1394] "Harrisburg, July 29.—Every electric power company in Pennsylvania is overcharging for services and all will be 'run through the Public Utility Commission's wringer' to squeeze out lower rates for users of electricity, Richard J. Beamish, P. U. C. member said today."

Mr. Miller: Well, now, we object to headlines quoted from newspapers, for the same reasons that we have already advanced.

Judge Davis: Yes; objection overruled, and we will grant you an exception.

A. (Continued.) The article follows:

"Beamish, who will sail August 19 to study utility service in England and Sweden, indicated the commission would issue orders within three months for drastic cuts in charges of Pennsylvania Power and Light, Allentown; Philadelphia Electric, West Penn Power, Allegheny county and the Metropolitan Edison, Reading."

Mr. Miller: I would suggest that the Edison Light and Power Company isn't mentioned.

A. (Continued.) Other articles by those statistical services, all of which have an influence upon the investing public and the cost of money to any public utility in Penn- [fol. 1395] sylvania—

By Mr. Miles:

Q. Now, Mr. Knutson, without interrupting you at that point, but for the record, these publications that you are about to refer to, are they publications that are distributed generally among investors—

A. Yes, sir.

Q.—and among bankers and financial institutions?

A. Yes, sir, all over the United States, and probably in foreign countries, and are issued almost daily, and are really the cross sections that these statistical services through their media all over the United States use in arriving at information which they give to the investing public as to whether or not this class or that class of security or stock is or is not a good thing to buy or sell or to hold.

“Also weak pricewise have been several bonds of utility companies operating in Pennsylvania because of indications that the new public service commission probably will order sizeable rate cuts.”

This is from Standard Statistics, page 2186, 5/15/37.

Mr. Miller: Same objection.

Judge Davis: Same ruling, and exception.

[fol. 1396] A. (Continued.) “In commenting on Securities of Associated Electric Company, Standard tempers its favorable comments by ‘However, some uncertainty is created by the likelihood that the new Pennsylvania Commission will make vigorous efforts to obtain sizeable rate reductions from operating utilities. Advise postponing new commitments.’”

By Judge Davis:

Q. Now, Mr. Knutson, I see you have quite a batch in your hand there.

A. Well, they all have to do, Your Honor—

Q. They are a similar line, are they?

A. Yes, showing that they should not—they should either sell their securities or hold them.

Judge Davis: Now, Mr. Miles, do you think it is necessary to go through all these?

Mr. Miles: No, sir, we do not, Your Honor.

By Mr. Miles:

Q. Now, there are numerous articles appearing in Standard Statistics and Moody's and other publications of that character, are there not?

A. Yes, sir.

Q. Now, Mr. Knutson, have you been in the court room throughout the testimony of Mr. Boenning, and if so, did [fol. 1397] you hear that testimony?

A. I did.

Q. Will you state whether or not in your opinion the Edison Light and Power Company could sell its securities in the principal amount of five million, five hundred thousand dollars on any basis more favorable than that suggested by Mr. Boenning?

A. That is substantially the basis that I think would be correct, at this period.

Q. Mr. Knutson, Section 310 of the Public Utility Law of Pennsylvania empowers the Pennsylvania Commission to prescribe temporary rates from time to time, and which rates may continue in effect for a lengthy period; the law further empowering said Commission to limit the earnings of utilities to a sum equivalent to five per cent on the depreciated original cost of the physical property devoted to the public service. Will you please state whether or not in your opinion such rate making powers has any effect upon the cost experienced by Pennsylvania public utilities in obtaining capital.

Mr. Miller: Objected to. The form of the question quotes the law as providing that temporary rates may remain in effect for a long period of time. The section does not say that at all.

[fol. 1398] Objected to, further, since the section interpreted in line with the Constitution will not permit the imposition of confiscatory rates, regardless of five per cent, original cost depreciated, or any other lower limitation.

Judge Davis: Mr. Miles, I think you will have to reframe your question, and if you are going to quote the section you will have to quote it correctly.

Mr. Miles: Your Honor, I was not attempting to quote the section of the law.

Judge Davis: I know, but Mr. Miller says you are giving an erroneous impression by misquoting it.

Mr. Miles: Well, of course, if Your Honor doesn't want to hear me on that I won't reply to Mr. Miller, but I don't think I am giving any erroneous impression. There is not a line in the statute which limits the length of a temporary order, which is one of the bases of our attack upon its constitutionality; that these orders, so-called temporary, can be continued into effect for a lengthy period.

Judge Davis: Well, I understand that, but you intimated, and I think it would be a fair inference from what you said, that it did provide for a long time.

[fol. 1399] By Mr. Miles:

Q. Mr. Knutson, Section 310 of the Public Utility Law of Pennsylvania empowers the Pennsylvania Commission to prescribe temporary rates from time to time, the law further empowering such Commission to limit the earnings of the utilities to a sum equivalent to five per cent on the depreciated original cost of the property devoted to the public service, and to fix so-called trial rates. Will you please state whether in your opinion such rate-making power affects the ability of Pennsylvania public utilities to attract capital, and the cost of the same?

A. It does affect it, and makes the cost of attracting capital more expensive.

Q. Now, why do you say that? Why is that your opinion, Mr. Knutson?

A. The very fact that a temporary rate can be entered really, in effect, destroys the substantialness of the earnings of the industry in question, and capital is not attracted to something which today has a certain earning power, and tomorrow may have half as much or a third as much, or ninety per cent of it, and have that power in the hands of just one body that can put that into effect, and have no relativity with the economics throughout the country, it [fol. 1400] is just an arbitrary statement or an opinion that someone is going to do something, and that will very



seriously affect the cost of money to any public utility operating in Pennsylvania, and any investment banker today considering an issue of any kind of securities will have to have more for selling it if it is in Pennsylvania than out of Pennsylvania, with this law in effect and this Commission with its powers.

Q. Now, Mr. Knutson, assuming that as a result of such a temporary order a utility for a period of three or four months was not permitted to earn a sum sufficient to take care of its normal maintenance or replacement requirements, but that thereafter the Commission fixed permanent rates that allowed a sum sufficient for such requirements, please state whether in your opinion, and based on your experience in connection with the operation of utilities, the maintenance or replacement work so deferred would be more costly to the company in question.

A. It would be more costly.

Q. Now, one more question, Mr. Knutson. Subparagraph (e) of Section 310 of the Pennsylvania Public Utility Law provides that on fixing a permanent rate the Commission must consider the effect of the temporary rate, and if upon final determination the permanent rate is in excess of the [fol. 1401] temporary rate theretofore in effect the utility shall be allowed a temporary increase in excess of the final rate and be permitted to earn such sum as shall represent the difference between the gross income obtained from the rate prescribed in such temporary rate and the gross income which would have been obtained under the rates finally determined if applied during the period such temporary order was in effect.

Now, I ask you, assuming that a temporary rate confiscatory in character is fixed by the Commission and the same remains in effect for a period of four months before the determination of reasonable final rates, will you please state what, if any, damage or injury may inure to the company in question during the period such temporary and confiscatory rate is in effect?

A. It might have very serious effect upon the corporation. In the first place, it might totally destroy its credit to raise money for necessary construction expenditures required for the utility to make and to have in order to take care of the business at hand, and to give adequate and proper service to the consuming public.

Now, it will be more expensive in operations to the utilities in that the billings will have to be changed twice as against once.

[fol. 1402] It will ruin, to a great extent, the good relations that the public utility in this case has in this territory, because if I were a consumer today and I sat with a low rate, which had been given me, and I thereupon went out and purchased stoves, electric stoves, space heaters, water heaters, and so on, thinking that I was going to enjoy this rate, and then four months' time after I get my equipment in, but not paid for, I find that my rate is "upped" so it is maybe twice what it was, I am going to be greatly dissatisfied. I will run down to the company, the company will have to furnish me with evidence and advice and consultation—and which will require money on the part of the expenses—and I will be a disgruntled customer.

If, for instance, again, the company is required to make fifty or a hundred thousand dollars' worth of repairs, now, it has been operating, as all good public utilities should operate, under a budget of construction, and they take up the budget, and that having been made six months ago, the manager of this company and the people in charge would figure that this date they are going to have available fifty or a hundred thousand dollars to make that expenditure for [fol. 1403] maintenance. They wouldn't have it with this cut which they didn't know anything about, and which was put on them maybe a month or two before. They would be greatly upset as to whether or not they could pay for the material which they had ordered in the way of poles, lines, generating equipment, or what not, and it might be very embarrassing to raise that money at the time on the credit of the utility. That might ruin its credit all over, and with that would go down the price of its securities. Maybe the charges that were required to be earned on any securities which might have been outstanding in the hands of the public would not be sufficient to qualify this, it might be taken out as legal savings bank investment, and the whole credit of the company given a black eye.

Now, we in the public utility business think that our credit is one thing that we cannot revivify in a minute. If it has gone wrong it takes a long time to get it back. It takes a very short time to ruin it. And we also think the public relations that we have with our consumers is our greatest

asset, and if we cannot keep our consumers satisfied we certainly cannot be satisfactory and do an operating job and make money for everybody and give the investing public [fol. 1404] as well as the consuming public what they ought to have and what they expect to get; and we cannot give them satisfactory service if we are not sure of some stability of rate return and earnings, I mean on the capital invested over a period of time.

Another thing we have to contend with is that we compete for industrial business with coal and oil and gas, and the competition is very severe, and if we are operating under a certain power rate, which is subscribed to by the company after being suggested by the Commission on the temporary basis, and take an industry out there because we can give them their current at a cheaper rate than they can get it through some means of oil, coal or gas, and they take the load on, and then later on the price is "upped" because this temporary rate cut has only been a proportion of what really should have been done, we are in a very bad box. We are not met with the fact of raising that price for the industry. That industry goes off of our lines. We have invested capital to take it on, we have run a service there, we have what we call a connection charge and everything else in there, and maybe we begin, but I don't believe we would be allowed to operate and give that industry that [fol. 1405] low rate that we took them on at, because that would be in violation of the Commission rates and there would be discrimination, so, again, we have a tough problem there in order to keep that relation and keep that business in hand.

Now, all of these things, disgruntled customers, and lack of credit, make it that much more easy for any agency, whether it be state, municipal, or government, PWA, TVA, or rural electrification, to come in and compete with us, because they will find people disgruntled with our service, through no fault of ours, who will be very glad to take up their banner and carry on with it, and we cannot compete, of course, with that kind of subsidized competition and live.

Mr. Miles: All right, Mr. Miller, the witness is yours.

## Cross-examination.

By Mr. Miller:

Q. Mr. Knutson, do you know whether——

Judge Davis: Mr. Miller, could you push that down a little further and sit over here, so he can look at us and answer your questions, too?

By Mr. Miller:

Q. Mr. Knutson, does the Edison Light and Power Company——

[fol. 1406] Judge Davis: Just one minute, Mr. Miller.

Judge Buffington: Go ahead.

By Mr. Miller:

Q. Mr. Knutson, do you know of your own knowledge of any immediate need for capital that the Edison Light and Power Company has?

A. Yes, sir.

Q. What is that need?

A. Well, their construction budget requires about two hundred thousand dollars a year for new money, new capital, to take care of the construction that they think is necessary to give adequate and proper service to the consuming public.

Q. That amount, I assume, has been obtained over the past year or two years; you state that it is an ordinary requirement.

A. Well, I think it has this year. I don't know what it has been in the past. I think that is this year's budget.

Q. Do you know how the company proposes to take care of that requirement?

A. No, I don't.

Q. Would you think that it would be proper for them to issue securities to take care of two hundred thousand dollars? [fol. 1407]

A. No.

Q. Then their present need of capital could be taken care of without any financing?

A. Well, if they have credit so they can borrow the money, if that is their requirement, from some local source they

can handle it that way, or they could borrow it from friendly interests.

Q. Have you examined the testimony of the company's witnesses before the Commission as to rate of return?

A. No, sir. I have read the bill of complaint and the order, some of those things, but I haven't examined that book of testimony.

Q. Would you say there had been any change in the reasonable rate of return for the Edison Light and Power Company between, say, April or May of this year—of last year, 1937—and the present time?

A. Very definitely, yes.

Q. And in what amount?

A. Oh, the rate of return would have to be larger now than it was then in order to invest capital.

Q. How much larger?

A. Well, I couldn't say in dollars and cents, but—

Q. Well, you say it takes—

[fol. 1408] A. —I should say over a point, over a per cent—

Q. You mean one full per cent, in other words, seven per cent—

A. What is that?

Q. Eight per cent is what you think is required now—

A. Yes, a minimum of eight per cent.

Q. —under these conditions?

A. Yes, minimum of eight per cent.

Q. Then seven per cent would represent what you might think might have been required at that time?

A. Well, I couldn't say that, because I didn't make any analysis—

Q. Well, you stated the difference would be one per cent.

A. Oh, I said it might be that. I made no analysis of what it would be back in May or June in 1937, or 1936.

Q. Well, it might be more or might be less than one per cent, then?

A. No, it would certainly—oh, might be more or less?

Q. Yes.

A. Well, maybe.

Q. Now, has the government, either the State or the National Government subsidized any competition in the York area that you know of?

A. Not that I know of, no.



[fol. 1409] Q. Has there been any forty-five per cent contribution to competitive construction in the York area?

A. Not that I know of.

Q. Did you make any examination of the territory of the Edison Light and Power Company?

A. I did.

Q. What examination did you make?

A. Well, I went all over it, and offhand I would say that I think it is excellent territory, and I would call it a fairly concentrated property and a good one from the standpoint of operations.

Q. When did you make the examination?

A. I made it, finished it, yesterday.

Q. And how many days did you spend on it?

A. I was only there a day.

Q. You went around in an automobile, I suppose?

A. Yes, and walked around and inspected the plants and talked with the management and the operators, but I still think it is a well operated and a good territory.

Q. You would say that business was stable in that territory. Did you make any investigation of that?

A. Well, no, but I would say that it was a diversified territory of the kind that I would like to be in the electric business in.

[fol. 1410] Q. Did you make any investigation to determine whether there would be any change in the art? I believe you mentioned change in the art—

A. Yes.

Q. —as one thing affecting the rate of return.

A. Well, that is something we are always—

Judge Buffington: Just one minute; I didn't get that question. Read that.

(The question was repeated by the Reporter, as follows:

“Q. Did you make any investigation to determine whether there would be any change in the art? I believe you mentioned change in the art as one thing affecting the rate of return.”)

A. We always have a change in the art, because the progress of the electric industry has been very rapid, and we have seen some very phenomenal changes in the way we have done construction. For instance, we might,—we don't

know, but it might be quite possible—we might find an entirely different voltage, more economical and more perfectly fitted to the demands of our consumer in the future. That might come within three or four years.

In this particular situation maybe it might devolve upon [fol. 1411] some people to insist that we go underground in part or all of our electric overhead distribution system, which would cost several millions of dollars. That, you might say, would be a change in the art, or a question of modernity, which sometimes happens.

There are a great many things that we cannot encompass today which might be in effect two years from now and were not in effect in the past. That is our experience in the public utility business over the last twenty-five years.

By Mr. Miller:

Q. But your investigation disclosed——

By Judge Buffington:

Q. Was that made junk?

A. What is that?

Q. Was that made junk?

A. Yes, sir.

By Mr. Miller:

Q. Your investigation disclosed no imminent requirement that the lines be put underground in the York area, did it?

A. No, sir, I think they have done some of that there, but I know of no particular thing; but that is in the offing, and if I were investing capital in a public utility I would think [fol. 1412] about that situation as applying particularly to York.

Q. Usually the changes in the art result in reduction of construction costs, don't they, and improvement in construction?

A. Yes, sir.

Q. Can you give me any specific instance in which any of the quotations which you read to the Court have adversely affected any public utility financing in Pennsylvania?

A. No, sir, I cannot.

Q. You have a similar statute in New York——

A. New York State.

Q. —State, do you not?

A. Yes, sir.

Q. Has that statute adversely affected—

A. Yes, sir.

Q. —utility financing?

A. It has, in New York State.

Q. Well, now, didn't the Niagara Hudson Company float a thirty million dollar bond issue just recently?

A. Well, I don't—I don't know whether they did or whether they started to, I don't recall.

Q. Well, that would be a pretty good sized security issue to float?

[fol. 1413] A. Yes, it would, but that wouldn't mean that they didn't pay more for floating that under the existing law than they would have had that law in New York State not been in effect.

Q. Well, what has been the experience under the New York law? Has the Commission cut the utilities down to five per cent on—

A. I don't know.

Q. —original cost depreciated?

A. I don't know that.

Q. That has not been made the subject of comment in your trade papers?

A. It may have, yes, but—

Q. But you didn't find that?

A. No, I didn't.

Q. Does the Edison Light and Power Company of York to your knowledge have to compete with coal, oil or gas establishments?

A. Oh, in all industrial business that they take they have to, yes, sir.

Q. Well, your investigation disclosed no specific instance of such competition?

A. No, sir, but that would be general public utility practice everywhere. We do it always.

Q. Do you know what percentage of the Edison Light and Power Company business represents industrial business?

A. Well, I—I can't recall it; no. I have looked into that and did know, and as I remember it, of new business less than a hundred horse power is taken on by the Edison, and they retained all the business they had prior to that composition agreement, so that probably there is a great lot of

the industrial business around there which is not run by the Edison Company.

Q. When you say "Edison Company" which Edison Company do you mean?

A. Edison Light and Power.

Q. You don't mean Metropolitan Edison?

A. No, sir, I don't know that.

Q. Where did you get the earnings figures?

A. I got all of my earnings and financial showings from data furnished me by executives of the company or out of the order of the Commission and the bills of complaint and so on, which I read. I have made no audit, independent audit or accounting of any of the figures.

Q. Do you know how many consumers to the square mile the Edison Light and Power Company territory comprises? [fol. 1415] A. Well, I know they have twenty-nine thousand some hundred electric consumers, and they operate in the City of York and environs. I don't think that the square—that the customers per square mile would be any indication of any particular thing about that. I still say I think it is what I call a concentrated electric utility operation, and I would be willing to admit that, if that is what you are driving at.

Q. Well, then, that is the basis of your—

A. Yes, sir.

Q. —judgment—

A. Yes, sir.

Q. —in that respect?

A. That is correct.

Q. Do you think the actual effect of the Commission order in this case will be to prevent the company from obtaining its ordinary capital requirements?

A. As cheaply as it would otherwise, yes, sir.

Q. No, I didn't say that.

A. Well, all right, I am sorry.

Mr. Miller: Will you read the question, please?

(The question was repeated by the Reporter, as follows:

[fol. 1416] "Q. Do you think the actual effect of the Commission order in this case will be to prevent the company from obtaining its ordinary capital requirements?")

A. I should say the company would probably be able to—even with this order in effect—to obtain their capital re-

quirements that they need for the next year, keeping in mind, of course, that there are friendly interests who have much money invested in the thing, and they probably wouldn't want to shut off that now and jeopardize their investment, and would go along, I mean, for some time to come.

By Mr. Miller:

Q. What in your opinion is a reasonable capitalization division as between bonds, preferred stock, and common stock?

A. Well, that depends upon particular characteristics of the physical property, the fair value, the market, and the market as respecting its absorption of bonds or stock, and the size of the issue. Ordinarily we say fifty to sixty per cent for bonds and the balance divided into preferred stocks or some other classification, and common stock, and that split, I mean, might be fifty-fifty—each particular situation [fol. 1417] has to be figured by itself as respecting that, in connection with the absorption powers of the market at that time.

Q. Well, would you say that fifty per cent bonds would be a reasonable capitalization—

A. Well, I would like to have—

Q. —in connection with this company?

A. I would like to have a fifty per cent bond on it if I were investing in the bonds of the company.

Mr. Miller: That is all I have.

By Mr. Cohen

Q. Mr. Knutson, just one question, do you know of any recent borrowings by the York Edison?

A. I don't understand what you mean.

Q. In your investigation on Sunday—was that just yesterday that you made this investigation—

A. No.

Q. —of the Edison property?

A. What investigation are you talking about?

Q. The same one that you are talking about.

A. Well, I have been in this for a month.

Q. I understood you to testify to Mr. Miller in response to a question submitted by Mr. Miller that you were there yesterday.



A. That was a physical inspection.

[fol. 1418] Q. Physical?

A. Of a physical property.

Q. I see.

A. Not an investigation of this situation.

Q. And that physical inspection lasted one day; is that correct?

A. Yes, sir.

Q. That is, yesterday. Now, during your contact with the York Edison did the management disclose to you any recent borrowings by the York Edison?

A. The New York Edison? I don't understand what you are talking about.

Mr. Miles: He is referring to Edison Light and Power as York Edison, for some reason.

Mr. Cohen: York Edison Company, as Edison Light and Power.

The Witness: Oh, I didn't understand that, yes.

By Mr. Cohen:.

Q. Did the management disclose to you any recent borrowings by the Edison Light and Power, of York?

A. No, sir.

Q. Do you know of any borrowings recently that were consummated in the City of York by any other public [fol. 1419] utility?

A. No, sir.

Q. Did the management disclose to you borrowings that were consummated by the Glenrock Power and Light Company—

A. No, sir.

Q. —also operating in York County?

A. No, sir.

Q. Then you wouldn't know what rate of interest or return was paid on those borrowings?

A. Certainly not.

Q. That is right.

Mr. Cohen: That is all.

Mr. Miles: That is all.

Judge Davis: That is all; next witness.

DR. FRANK PARKER, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Miles:

Q. Doctor, will you please state your name and address?

A. Dr. Frank Parker, and my residence is 400 South Forty-fifth Street, Philadelphia, Pennsylvania.

Q. What is your occupation or profession?

[fol. 1420] A. Professor of Finance, Wharton School of Finance and Commerce, University of Pennsylvania. For twenty-seven years I have been on the faculty and teaching staff of the Finance Department of the Wharton School of Finance and Commerce, having been of professorial rank since 1920. During this period I have been actively engaged in teaching the subjects of Money and Credit, Banking, Commercial Credit, Business Cycles, and Public Utilities, and at the same time have devoted considerable time to making research investigations in the aforementioned fields.

Q. Now, what has been your experience, if any, in connection with the studies of economic problems relating to public utilities?

A. In 1916 I began to be active in financial consulting work with public utility and railroad companies.

From 1920 to 1926 I was employed at various times to make studies of the cost of obtaining money and certain of the non-physical elements of value of the Idaho Power Company, an electric light and power company with extensive properties in Utah, Idaho and Oregon, the Utah Power and Light Company which owns and operates electric light, power and street railway properties in Utah, Idaho and [fol. 1421] Wyoming, the Pennsylvania Power and Light Company in Pennsylvania, and the Peoples Natural Gas Company of Pittsburgh, Pennsylvania.

From 1926 to 1932 I made investigations into the financial affairs of the St. Louis Southwestern Railway Company, Missouri Pacific Railroad System, Pere Marquette Railway Company, The Virginian Railway Company, The International Railway Company of Buffalo, New York, the Dayton Power and Light Company of Ohio, and the Natural Gas Company of West Virginia, for the purpose of ascertaining the intangible elements of value of these utilities.

In all the foregoing cases the results of my investigations were presented to the courts or public utility commissions before which the rate or valuation proceeding took place.

Q. Now, Doctor, are you the author of any treatises or books dealing with economic questions?

A. Yes, I am the author of a textbook on Commercial Banking published by the International Textbook Company, of the Banking Section of the Cumulative Loose-Leaf Business Encyclopedia, published by the John C. Winston Company, of the Money and Banking Section of the Executives' Desk Book published by the same company, and I am [fol. 1422] now engaged in the preparation of numerous articles in the fields of Money, Credit, Banking, and Investments for the Dictionary of American History. In addition, I have published numerous articles in the field of finance in various newspapers, financial journals and periodicals, of which the following are typical:

Development of Business Forecasting, published in Administration, September, 1922.

Cost of Money to Public Utilities 1914-22, published in the Journal of Land and Public Utility Economics, in January, 1926.

Cost of Money as an Element in the Valuation of Public Utilities, published in the University of Pennsylvania Law Review, March, 1926.

Practical Limitations of Business Barometers and Forecasts, published in Commerce and Finance, 1926.

A series of fifty-two financial articles, fifteen hundred words each, written for the Philadelphia Inquirer, December, 1929 to June, 1930.

Federated Banking—A Way Out for the Small Bank, published in Forbes Magazine, March, 1931.

Q. I think that is enough of those, Doctor. Now, Doctor, will you please tell us whether the purchasing power of [fol. 1423] money is a constant or a variable thing.

A. The purchasing power or the value of the dollar signifies the ability of its possessor to command therewith a certain amount of goods or services at any moment of time. Of course, this is simply another way of saying that the price of the commodities so bought is changing. The purchasing power of the dollar is the inverse of the general price level. If the purchasing power of the dollar is high, it means that a dollar will buy let us say ten units of goods which is only another way of saying that prices are low. But

if at a subsequent time the purchasing power of the dollar is low, it means that a dollar will buy only one unit of the same goods, which is another way of saying that prices are high.

Now everyone recognizes that the prices of goods individually and collectively change over a period of time, that is to say that the purchasing power of the dollar changes so that if prices are rising it will buy less goods in the future than it will buy now.

To show the changing purchasing power of the dollar, that is changes in the general price level, index number of prices are commonly used. Probably the most frequently used [fol. 1424] index of prices is the one prepared and published by the United States Bureau of Labor Statistics, and for the purpose of making a trifle clearer the nature of the changes in the purchasing power of the dollar or the general price level, and the reasons which underly such changes, I have had prepared several charts and tables.

Q. Now, these are the charts, Doctor, to which you have just referred?

(Charts were shown to the witness.)

A. Yes, they are.

Mr. Miles: Your Honors, we would like to offer in evidence—

Judge Davis: All right.

Mr. Miles:—these charts dealing with the trend of money.

(Seven charts entitled “Index of Wholesale Commodity Prices”, “Money in Circulation Outside Treasury and Federal Reserve Banks”, “Excess Reserves of Member Banks”, “Member Bank Reserves and Related Items”, “World Gold Production”, “World Gold Reserves” and “Gold Production, Values, and Gold Reserves” were marked Complainant’s Exhibit B.)

Judge Buffington: Well, these general principles on the [fol. 1425] value of the dollar under different circumstances and in relation to different things, I think we are all familiar with that. What, specifically, do you want to bring out from this witness?

Mr. Miles: Your Honor, I rather expected Your Honors to take that viewpoint of this case. It happens that we are

conscious of the possibilities that these proceedings may be reviewed in some other tribunal.

Judge Buffington: Well, that is all right, then.

Mr. Miles: Now, this is the first time that the Supreme Court has ever passed or will have passed if then on the recoupment question.

Judge Buffington: Go ahead, we will accept on both sides the testimony.

By Mr. Miles:

Q. Now, Doctor, will you be good enough to refer to and explain as briefly as you can by reference to the chart captioned "Index of Wholesale Commodity Prices" the various kinds of price movements or changes in the purchasing power of money?

A. By reference to a chart captioned "Index of Wholesale Commodity Prices" it will be seen that there are two [fol. 1426] distinct types of movements in the general price level, or phrased otherwise, in the purchasing power of the dollar. There is a long-term movement commonly called the secular trend which generally runs over a period of twenty or thirty years and second, there is another entirely distinct movement, called the cyclical movement, of much shorter duration, running on the average approximately two to three years.

The secular trend of prices is shown on the foregoing chart by a long downward movement from 1865 to 1896, a long upward movement from 1896 to 1920, a long downward movement from 1920 to 1933, and clear-cut evidence of the beginning of an upward movement since 1933.

In contrast with the secular movement, the cyclical movement or short-term movement of prices is typically illustrated on the foregoing chart by the upward movement from 1878 to 1883 followed by the downward movement from 1883 to 1886, and by the upward movement from 1915 to 1920, followed by the downward movement from 1920 to 1923, and unmistakable evidence of a rising cyclical movement since 1933.

While there is a discernible difference between the duration [fol. 1427] of these movements of prices accounting for changes in the purchasing power of the dollar, they are alike in one significant particular, namely that they are inherent or innate in our business structure, and have been manifest throughout the entire business history of the United States,



so that for a century or more for which we have accurate business annals, the changes in the purchasing power of the dollar have invariably reflected both secular movements and cyclical movements. From our present knowledge there is every reason to believe that future changes in the purchasing power of the dollar similarly will show both secular movements and cyclical movements.

Q. Now, Doctor, will you tell us what your studies and investigations in the fields of money and credit and prices lead you to believe will be the course of prices in the United States in the immediate future?

A. According to the available evidence in my judgment the course of prices in the United States in the immediate future will be upward. By way of preface to that judgment, it might be said that the changes in the general level of prices, that is in the purchasing power of the dollar, are related to or connected with the actual and potential volume [fol. 1428] of money available for the settlement of business transactions. So it may be said generally that when a larger quantity of money is available for the settlement of business transactions, prices rise effecting a commensurate decline in the purchasing power of the dollar.

Looking specifically now at conditions in the United States, let me direct your attention to the second chart captioned "Money in Circulation". The long heavy solid black line on this chart represents the money in actual circulation in United States, that is in the pockets of the people or in the tills and vaults of business enterprises and the commercial banks, and consequently represents the amount of currency, exclusive of bank deposit currency, that is used daily in the settlement of business transactions. It will be noted that the money in circulation has increased from five billion three hundred million dollars in January 1934 to six billion five hundred and sixty-one million dollars in November 1937, or an increase of twenty-four per cent. During this same period the price level as shown by the index of wholesale prices of the United States Bureau of Labor Statistics rose approximately eighteen per cent.

[fol. 1429] Now, while the actual money in circulation in the United States has a direct bearing upon the problem, accurately to gauge the immediate future of prices in United States requires that attention be given to the large sums of money that may be added to the existing supply by the simple device of an executive order or an administrative rul-

ing of Federal Government officers. An examination of our existing legislation shows that there are approximately  $7\frac{1}{2}$  billion additional dollars that may be injected into the money in circulation in United States. Approximately  $4\frac{1}{4}$  billion dollars may be added to our money supply by the first two that I am about to mention, and by the last two measures an additional three billion dollars might be added with no more of a change in our existing laws than to permit gold to circulate again in the form of gold certificates.

Mr. Miller: Well, now, if the Court please, I don't want to interrupt the Doctor, I think he is an expert, but I do feel that his testimony, in relation, I suppose, to Section 310 (e) is not exactly relevant, since I see nothing in 310 (e) which would prevent giving consideration to all of the [fol. 1430] factors he mentions, if they should be found to be relevant.

Mr. Miles: Of course, if Your Honors are prepared to agree with that construction of 310 (e) without any argument on it that would be one thing, but we do not so understand the section. On the contrary, we contend that the definition of "operating income" prevents any consideration of these factors to which Dr. Parker is testifying.

By Judge Davis:

Q. Doctor, are you pretty nearly through with that phase?

A. It won't take me very long to finish the whole testimony.

Judge Davis: All right, proceed.

A. (Continued:) The first measure to which I have referred gives to the President of the United States in certain circumstances the right by an Executive Order to direct the Secretary of the Treasury to issue United States notes or greenbacks up to three billion dollars.

The second measure is the Silver Purchase Act of 1934, which declared it to be the policy of the United States that the proportion of silver to gold in the nation's monetary stocks should be increased with the ultimate objective of [fol. 1431] having and maintaining 25% of the monetary value of such stocks in silver, and toward this end it directed the Secretary of the Treasury to purchase silver at home or abroad to establish such proportional holdings. Against such purchases of silver, the Act specifically stip-

ulates that there shall be issued and put into circulation silver certificates. Apart from the fact that the Federal Government has already added through this channel eight hundred million dollars to the money in circulation in United States, as of the beginning of 1938 there still remains to be purchased approximately one billion five hundred million dollars of silver in order to bring the monetary stock of silver up to an amount where it is 25% of our total monetary stocks.

The third of the measures to which I previously referred is that the President of the United States, whose decision shall be final and not subject to review by any other officer of the United States, has the exclusive control of the sum of one billion eight hundred million dollars which was created as a "stabilization fund" by the Gold Reserve Act of 1934, so that at any time presumably the President of the United States can inject this vast sum of money into the monetary [fol. 1432] circulation of the United States.

The fourth measure to which I previously referred stipulates that the Secretary of the Treasury may set up a so-called inactive fund for the purpose of neutralizing the effect on member bank reserves of future gold acquisitions. This fund was inaugurated in December, 1936, and its modus operandi was to offset such acquisitions, either from imports or from new production, through sales to the public of an equivalent amount of United States government obligations and then setting aside the purchased gold in an inactive account in the Treasury. In this way it was hoped to keep the gold out of the country's credit base, but as foreshadowed by the action of the Treasury Department in September 1937, this so-called gold sterilization policy is more likely to be observed in its breach than in its observance, for in that month the treasury released three hundred million dollars in gold from the inactive account, depositing it in the Federal Reserve Banks, and then immediately used it to meet a like amount of maturing United States Government obligations. In effect this transaction transferred three hundred million dollars in gold from the Treasury's [fol. 1433] inactive fund to member bank reserves, and thus added this money to that already in circulation. With this precedent established, it is not unreasonable to conclude that if at any future time it suits the convenience of the Treasury Department, as a matter of fiscal policy or other-

wise, the entire one billion, two hundred million dollars in gold now in the inactive fund may be added to the money in circulation in the United States.

Now, if we combine these four items it will be seen that today the money in circulation in United States actually can be increased by the administrative acts of the President and the Secretary of the Treasury to the extent of  $7\frac{1}{2}$  billion dollars. Some semblance of the effect of this stupendous addition to our money in circulation on the general level of prices can be gathered by further reference to the chart headed "Money in Circulation". Referring to this chart, it will be observed that the money in circulation increased from five billion two hundred eighty-nine million dollars in January 1934 to six billion five hundred sixty-one million dollars in November 1937, or 24%, whereas during the same period the United States Bureau of Labor Statistics index of wholesale prices rose from seventy-two to [fol. 1434] eighty-three or approximately 15%. Assuming that the same ratio of increase would be maintained, then if, as the dashed line designated Authorized but Unissued at the top of the year 1937 indicates, the total money circulation were increased by the potential  $7\frac{1}{2}$  billion dollars or 115%, this would increase prices approximately 72%.

By Mr. Miles:

Q. Now, Doctor, does that appraisal give any consideration to the expansion of bank deposit currency likely to ensue if our money supply is increased in the manner you have indicated?

A. No, sir, it does not. There is much more, really, to this vista if account is taken of the tremendous potential increase that can be effected in our bank deposit currency. Assuming that the foregoing  $7\frac{1}{2}$  billion dollars were added to our money supply, it is likely indeed that 95% or more of it would find its way into our bank reserves. Since today, as distinguished from August 1936 and prior thereto, five dollars of bank deposit currency can be created against one dollar of bank reserves, this would mean that we would have an increase in the bank deposit currency of United States approximating forty-three and one-half billion dollars [fol. 1435] lars, thus practically doubling our existing bank deposit currency. The relation between these different kinds of moneys is indicated by the column at the right of the general chart captioned "Money in Circulation."

Shown in that perpendicular column at the right, the small block at the bottom is actual money in circulation in November, 1937. The stippled block above it, raising the total money in circulation to fourteen billion dollars, represents the addition of seven and one-half billion dollars authorized but unissued, as I have described. And the blank space above that, raising the total quantity of money, including bank deposit currency that might be in circulation, represents the addition of those forty-three and one-half billion dollars of bank deposit currency which would be predicated upon the addition of seven and one-half billion dollars to our actual money in circulation.

Q. Now, in addition to these factors are there any other potentialities that in your judgment might affect the trend of prices or the cost of money in the United States?

A. Very definitely, for the preceding discussion dealt primarily with immediate actualities. Turning to the realm of potentialities that augur for a rising price level in United [fol. 1436] States there are the following factors:

(1) The excess reserves prevailing in our commercial banking system which are the reserves over and above those required by law.

(2) The threat of inflationary movements of prices, and

(3) The eventual effects of the devaluation of the dollar that began with the Presidential Proclamation on January 31, 1934, by which the gold content of the dollar was reduced forty-one per cent.

Q. Now, will you explain briefly each of those factors, Doctor, that you just mentioned?

A. The excess reserves of the member banks in the Federal Reserve system of United States have constituted a real problem ever since 1934 as is graphically shown on the chart captioned "Excess Reserves of Member Banks." This problem grew increasingly acute until the middle of 1936 when a fifty per cent increase in the reserve requirements was ordered by the Federal Reserve Board in order to contract the base upon which bank deposit currency might be created. Just prior to this administrative order, the excess reserves amounted to three billion two hundred sixty million dollars against which ostensibly thirty-two billion [fol. 1437] dollars of bank deposit currency could be issued. With this action of the Federal Reserve Board reducing the



excess reserves approximately to one billion, eight hundred million dollars the problem was temporarily solved, although the reserves again began to increase, and in the early part of 1937 they had reached the total of two billion, one hundred million dollars. To check this tendency and in its own language "in order to prevent an injurious credit expansion" the Federal Reserve Board in February 1937 again ordered a fifty per cent increase in the member bank reserve requirements, twenty-five per cent of which became effective March 1, 1937 while the remaining twenty-five per cent became effective on May 1, 1937. Even after the May 1st increase in reserve requirements, the excess reserves of the member banks amounted to nine hundred million dollars, and since that time as the chart clearly shows, they have grown until today they amount to one billion, two hundred million dollars, as is shown on the lower half of the chart captioned "Member Bank Reserves and Related Items", which is the next chart.

Summarily, therefore, the situation with reference to excess reserves today is this: the Federal Reserve Board had increased the legal reserve requirements of the member banks to the minimum provided by existing law. In a word, it has doubled the legal reserve requirements as they stood on August 14, 1936. Yet despite this action—

Q. You say they have increased those legal reserve requirements to the minimum, or the maximum, Doctor?

A. They have increased them to the maximum provided by existing law.

Q. You inadvertently said "minimum".

A. I am sorry. Yet despite this action the excess reserves of the member banks alone has declined since that time only two billion dollars. With the excess member bank reserves now standing at one billion, two hundred million dollars and showing a definite tendency again to expand and with the Federal Reserve Board having reached the limit of its powers to check this expansion, there is in my judgment here a very real portent of further expansion of bank deposit currency to the extent of at least six billion dollars. I say at least six billion dollars, because the foregoing evaluation of the excess reserve condition does not take into [fol. 1439] account the excess reserves that are now being carried by non-member banks not in the Federal Reserve System. There are approximately eighty-five hundred such banks, excluding mutual savings banks, and on the assump-

tion that the ratio of their deposits to the total deposits of member banks is a fair index of the ratio of their excess reserves to the excess reserves of member banks, it may well be that there are four hundred to five hundred million dollars of excess reserves in the non-member banks. With this as a credit base, the non-member banks might well expand their bank deposit currency another two billion dollars.

Proceeding now to the threat of inflationary movements of prices, this may be brought about by the continued deficit financing of our Federal Government, or by war. While all of us earnestly wish to avoid the destruction and despoliation of war—

Judge Buffington: Counsel, what is it you want to get through my head with all these statistics and things?

Mr. Miles: We want to show Your Honors that throughout the economic history of this country, first, that this dollar is not a constant thing but a variable thing—

[fol. 1440] Judge Buffington: Well, now—

Mr. Miles: —and, secondly, and under the Bluefield case, which I think is authority for it, we want to show to Your Honors that all of the economic forces operating today indicate a rise in the purchasing price of the dollar, and that, therefore, under this so-called recoupment section—

Judge Buffington: A rise in the purchasing price?

Mr. Miles: Yes, sir—I mean a fall, a fall in the purchasing price.

Judge Buffington: A fall.

Mr. Miles: That is right—that goods will become more costly—

Judge Buffington: Yes.

Mr. Miles: —that labor will go up—

Judge Buffington: Yes.

Mr. Miles: —and that, therefore, the money which may be confiscated from us by this temporary order will not be returned to us—

Judge Buffington: Well, now, can't you—

Mr. Miles: —under 310 (e).

[fol. 1441] Judge Buffington: Can't you embody that in a leading question to this gentleman?

Judge Davis: State it in about one or two sentences.

Judge Buffington: It seems to me I could.

Mr. Miles: All right, sir, I will attempt to do that. I didn't like to lead the witness.

By Mr. Miles:

Q. Doctor, based on your study of past trends, your knowledge of the various factors to which you have referred in your testimony up to this time, and having in mind particularly the gold reserve and the inflationary measures pending in Congress to which you have referred, will you please state whether in your opinion during the next six to twelve months prices of commodities and rates paid to labor are likely to go up or down?

A. Taking into consideration all of the actual and potential factors which I have detailed, it is my considered judgment that the immediate future of prices in the United States will be definitely upward, and, moreover, taking those same factors that I have detailed into consideration, it is likewise my considered judgment that the long-time or secular trend of prices in the United States will be immediately upward.

Therefore, answering more specifically your question, it is my judgment that the prices of labor and of materials in the next six to twelve months, as well as in the years following, will be definitely upward.

Q. Now, I ask you whether that would mean—

By Judge Buffington:

Q. And the value of the dollar correspondingly downward.

A. The purchasing power of the dollar, therefore, would be correspondingly down.

Judge Buffington: Yes. Well, now, go ahead.

By Mr. Miles:

Q. Does that mean in your opinion that a sum of money due and owing today, but which could not be actually paid or collected until some future time, would give the recipient when finally it was placed in his hands less in goods and service of all kinds than he could obtain for that money today?

A. That is undoubtedly what a rising price level means.

Mr. Miles: That is all.

[fol. 1443] Cross-examination.

By Mr. Miller:

Q. Dr. Parker, that would be equally true whether the dollar represented a returned dollar or a reparation dollar, would it not?

A. I don't understand the question.

Q. Supposing a consumer wishes to claim reparation by virtue of the collection of rates that were too high. His claim for reparation could not reasonably be measured in specific dollars except in reference to the changing purchasing power of the dollar, is that true?

A. Well, that, of course, is predicated upon an assumption that you have a rise in the purchasing power of the dollar, or a decline of prices, which is distinctly contrary to all the evidence now available, upon which my judgment is based.

Q. Now, if the—

A. And, secondly, if I may make further answer, if an irreparable damage is done with a rising price level or a declining purchasing power of the dollar to this utility, then any subsequent reparation that might be made at some distant time to a rate payer would not extricate the utility from the difficulties which this Section 310 (e) would at this time impose upon it.

[fol. 1444] Q. Well, now, you say if the utility collects a dollar too little from me at this time and gets a dollar back by virtue of 310 (e) that does not fully recompense them, does it?

A. That is correct.

Q. All right. Now, then, if the utility collects a dollar too much from me and I get a dollar back, that won't fully recompense me, either, on the same basis, will it?

A. But that is making an assumption which is contrary again, I say, to all the evidence in the very picture.

Q. It is making exactly the same assumption that you made in the case of the utility.

A. I have made no assumption in the utility, I have pointed to the rising price tendency, predicated upon the facts.

By Judge Davis:

Q. But, Doctor, just assuming that what he says is true, then the conclusion follows, doesn't it?

A. The conclusion of the counsel?

Q. Yes.

By Mr. Miller:

Q. Yes, if the prices are rising the purchasing power of the dollar is falling for me as well as for the utility, isn't it?

[fol. 1445] A. That is true, in that sense, and only in that sense.

By Judge Davis:

Q. Well, that is your answer?

A. Yes.

By Mr. Miller:

Q. Now, will you point out to me any words in Section 310 (e) which would prevent the utility from securing reimbursement of an amount more than an arithmetical sum in dollars representing the arithmetical difference between rates, revenue under the temporary rates, and revenue under the permanent rates?

Mr. Miles: Now, Your Honors, I object to that question because that is asking Dr. Parker to put a legal interpretation upon Section 310 (e).

Judge Davis: Well, he may answer if he can.

(A copy of the Public Utility Law was shown to the witness.)

The Witness: Will you read the question, please?

(The question was repeated by the Reporter, as follows:

"Q. Now, will you point out to me any words in Section [fol. 1446] 310 (e) which would prevent the utility from securing reimbursement of an amount more than an arithmetical sum in dollars representing the arithmetical difference between rates, revenue under the temporary rates, and revenue under the permanent rates?")

A. As I read Section 310 (e), this particular clause of it, "then such public utility shall be permitted to amortize and



recover, by means of a temporary increase over and above the rates finally determined, such sum as shall represent the difference between the gross income obtained from the rates prescribed in such temporary order and the gross income which would have been obtained under the rates finally determined if applied during the period such temporary order was in effect." can mean only one thing: a numerical sum expressed in dollars, because to me it is clear that if the intent of the Legislature were to make it more inclusive than that it would have had to change the language so that it would have read, perhaps, something like this, "such sum as may be represented by the difference between the gross income", et cetera.

Mr. Miller: That is all.

By Mr. Cohen:

[fol. 1447] Q. Doctor, you are acquainted with the University of Pennsylvania Law Review, are you not?

A. Yes, sir.

Q. I think you indicated that you contributed to that publication?

A. That is correct.

Q. Your response to Section 310 (e) is directly in opposite to a recent case published in the University of Pennsylvania Law Review, which comments on the Edison Light and Power Company versus Driscoll, the case reported in 5 U. S. L. Week 160, being the case in which His Honor, Judge Davis, Judge Watson and Judge Johnson had occasion to render an opinion. Do you agree with this contention, which says: "Inasmuch as the statute provides that the utility may recover in the future the difference between the gross income received under the temporary order and that which would have been obtained had the final rate been in effect, it seems fair to say that this future payment, in order to equal the past loss, must include interest."?

A. I wouldn't agree with that, because it presumes an interpretation which in my judgment runs distinctly counter to the terms of the act, and that is what you asked me for, is it not, Mr. Counsel, my judgment?

[fol. 1448] Mr. Miller: I asked your interpretation.

By Mr. Cohen:

Q. So you do not agree with that case in the University of Pennsylvania Law Review?

A. I do not, sir.

Q. Now, you have spoken here about the variable change in the dollar, and you have admitted in response to a question submitted by Mr. Miller, and which His Honor Judge Davis asked you to answer, that this variable dollar would affect the utility as well as the consumers, is that not correct?

A. Not in the same way nor to the same degree, no, sir.

Q. I see.

A. My answer did not encompass that point.

Q. But to some extent the variation in the dollar received changes with the consumer the same as it does with the utility?

A. Mr. Cohen, I think I can enlighten you on my answer to Mr. Miller. My answer to Mr. Miller's question was distinctly an answer to a hypothetical question.

Q. I see, that is right.

A. And the conclusions which I made concerning the price trends were as I view existing facts and actualities today.

[fol. 1449] Q. Do you know of any transaction which requires monetary reparation that is not affected by the change in the purchasing value of the dollar?

A. I know of none.

Q. They all are, is that not correct?

A. Subject to the changing in the purchasing power of the dollar, that is right.

Q. So this particular reparation is not any different than an action on a contract today, for breach of a contract four years ago, and the Court will authorize the payment in dollars, is that not correct?

A. But that is not what this reparation or recoupment clause 310 (e) provides, as I interpret it. It is specific, it gives back not any equivalent purchasing power, but it gives back the sum in dollars, and then it is a matter of legal interpretation whether that sum in dollars shall be expanded or contracted to give back an equivalent purchasing power.

Q. Do you know of any damages that are given back in purchasing power rather than in dollars?

A. It is my understanding that in almost every judgment of a court of law or equity consideration is given not only

to the dollars but to the damage done through a deprivation of those dollars pending the action.

[fol. 1450] Q. I see. Do you know of any contractual relationship where harm is done to one or the other for the breach of the contract where the damage decided on by the jury and the court is in purchasing value rather than in dollars?

A. I know of no specific case.

Q. No, and I don't think anybody else does.

Mr. Cohen: That is all.

Mr. Miles: That is all. Your Honors, we have one witness that will take about five minutes.

---

EDWARD C. ISELE, having been duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Miles:

Q. Mr. Isele, what is your name, residence and occupation?

A. Edward C. Isele, 180 Wearimus Road, Ho-ho-kus, New Jersey.

By Judge Buffington:

Q. What is that?

A. 180 Wearimus Road, Ho-ho-kus, New Jersey.

Mr. Miles: That is in His Honor Judge Davis' jurisdiction [fol. 1451] tion, isn't it? Perhaps I should have asked your business address.

By Mr. Miles:

Q. Are you an officer of the Edison Light and Power Company, Mr. Isele?

A. Yes, I am vice-president.

Q. And have you general supervision of the accounting records of that company?

A. Yes, I do.

Q. Now, Mr. Isele, will you please state whether that company maintains continuing property records?

A. No, it does not.

Q. And what do you mean by the use of the phrase "continuing property records"?

A. Why, continuing property records are in effect a perpetual inventory of its physical property.

Q. Now, have you prepared or had prepared under your supervision income statements of the Edison Light and Power Company for the calendar years 1935 and 1936?

A. I have.

Q. And I hand you two statements, one of which is entitled "Statement of Income For the twelve months ended December 31, 1935", and the other "Statement of Income For the twelve months ended December 31, 1936" and ask [fol. 1452] whether they are the statements that you have just referred to.

A. They are.

Mr. Miles: We offer these in evidence and ask that they be marked.

(Statement entitled "Edison Light and Power Company, Statement of Income For the twelve months ended December 31, 1935" was marked Complainant's Exhibit C.

Statement entitled "Edison Light and Power Company, Statement of Income For the twelve months ended December 31, 1936" was marked Complainant's Exhibit D.)

Mr. Miller: I ask the purpose, if the Court please.

Mr. Miles: Complainant's Exhibits numbers C and D; the purpose of this is to show Your Honors what the operating income of the company for each of these years has been, and we shall argue when we are afforded an opportunity to argue the case that this is an instance where the Commission should have prescribed temporary rates, assuming they have the constitutional power to prescribe them, under Section 310 (b), and under that section we would be entitled to a return equal to our operating income [fol. 1453] for one or the other of these years. That is its sole purpose.

## COMPLAINANT'S EXHIBIT "C"

## "Edison Light and Power Company

Statement of Income for the Twelve Months Ended December 31, 1935

Operating revenues:		
Electric.....		\$1,901,951.22
Operating expenses and maintenance:		
Operating expenses.....	\$757,955.67	
Maintenance.....	69,927.56	
		<u>827,883.23</u>
Balances before taxes and provision for retirements.		\$1,074,067.99
Provision for taxes:		
Federal income taxes.....	\$97,636.84	
Other taxes.....	157,472.44	
		<u>255,109.28</u>
Balance before provision for retirements.....		818,958.71
Provision for retirements, renewals and replacements of fixed capital.....		<u>129,349.34</u>
Operating income.....		\$689,609.37
Other income.....		<u>2,115.48</u>
Gross income.....		\$691,724.85
Deductions from income:		
Interest on unfunded debt.....	\$78,297.72	
Miscellaneous deductions.....	824.93	
		<u>79,122.65</u>
Balance of income.....		\$612,602.20"

A copy of Complainant's Exhibit D follows:

[fol. 1454]

## COMPLAINANT'S EXHIBIT "D"

## "Edison Light and Power Company

Statement of Income for the Twelve Months Ended December 31, 1936

Operating revenues:		
Electric.....		\$2,018,719.96
Operating expenses and maintenance:		
Operating expenses.....	\$833,359.01	
Maintenance.....	85,840.19	
		<u>919,199.20</u>
Balance before taxes and provision for retirements.		\$1,099,520.76
Provision for taxes:		
Federal income taxes.....	\$116,425.34	
Other taxes.....	215,972.43	
		<u>332,397.77</u>
Balance before provision for retirements.....		\$767,122.99
Provision for retirements, renewals and replacements of fixed capital.....		<u>120,421.50</u>
Operating income.....		\$646,701.49
Other income.....		<u>488.66</u>
Gross income.....		\$647,190.15
Deductions from gross income:		



By Mr. Miles:

Q. Now, Mr. Isele, have you had prepared under your supervision a statement showing the consumers of the company that were connected for service during the calendar year 1937, and also showing the consumers whose service was disconnected during that same year?

[fol. 1455] A. I have.

Q. And is this a copy of the paper to which you have referred?

(The witness was shown a statement entitled "Edison Light and Power Company Consumers connected and disconnected during twelve months ended December 31, 1937".)

A. That is correct.

By Mr. Miles:

Q. Now, this statement shows, as I understand it, that during the calendar year 1937 5,671 consumers were connected for service?

A. Correct.

Q. And during that same year 4,704 consumers had their service disconnected?

A. That is correct.

Mr. Miles: We ask that that be offered in evidence.

Mr. Miller: We assume that that is offered to show the turnover in consumers, and we submit that it is not substantial evidence of a turnover in consumers since there is no indication of how many people moved from house to house and had their service disconnected at one house and [fol. 1456] reconnected at another, whereas the outgoing tenant at the second house had his service disconnected.

Judge Davis: Well, you may bring that out, if you can, Mr. Miller, in cross-examination.

Mr. Miller: Well, I don't think they know it.

Judge Davis: Well, you can find that out.

Mr. Miles: We ask that this be marked Complainant's Exhibit E.

Mr. Miller: Will you note an exception on that?

Judge Davis: Yes.

(Statement entitled "Edison Light and Power Company Consumers connected and disconnected during twelve months ended December 31, 1937" was marked Complainant's Exhibit E. A copy thereof follows:

[fol. 1457]

## COMPLAINANT'S EXHIBIT "E"

"Edison Light and Power Company"

Consumers connected and disconnected during twelve months ended December 31, 1937

Month of:	Connected					Disconnected					Total number of consumers	
	Residential	Commercial	Cooking	Power	Water Heating	Total	Residential	Commercial	Cooking	Power		Water Heating
December 31, 1936.												29,029
1937:												
January.....	248	40	2	5	3	298	236	54	4	6	1	301
February.....	291	57	4	2	0	354	209	35	2	3	0	249
March.....	426	63	1	10	2	502	411	54	1	7	0	473
April.....	518	58	4	16	7	603	396	49	4	10	0	459
May.....	395	57	5	9	13	479	281	44	5	5	1	336
June.....	385	53	5	3	11	457	317	46	3	3	1	370
July.....	423	61	5	10	4	503	309	63	2	6	0	380
August.....	404	48	4	6	1	463	337	47	2	8	1	395
September.....	493	53	3	9	3	561	390	50	1	11	5	457
October.....	455	59	2	9	1	526	405	48	2	9	3	467
November.....	448	55	3	10	0	516	380	58	1	13	8	460
December.....	358	38	4	9	0	409	290	52	3	10	2	357
Total.....	4,844	642	42	98	45	5,671	3,961	600	30	91	22	4,704

")

[fol. 1458] By Mr. Miles:

Q. Now, just one more question. Have you had prepared a statement showing the kilowatt hour output of energy for the Edison Light and Power Company for the months of October, November and December of 1937, with a comparison for the same months of the preceding year, and showing a similar comparison for the first thirteen days of January of 1937 and 1938?

A. I have.

Q. Is this the statement to which you have just referred?

(Statement entitled "Edison Light and Power Company K.W.H. Output For Months of October, November and December, 1936 and 1937 and period January 1st to January 13th inclusive for the years 1937 and 1938" was shown to the witness.)

A. It is.

By Mr. Miles:

Q. Referring to the statement which you have just identified, Mr. Isele, this shows that the kilowatt hour consumption of energy increased how much in October, 1937 over October, 1936?

A. 1.03 per cent.

Q. And during the month of November was there an increase or decrease in kilowatt hours of energy consumed?

A. There is a decrease of one per cent as compared to the previous November.

Q. And in December what was the result?

A. A decrease of 2.68 per cent as compared to the previous December.

Q. And for the first thirteen days of January, 1938, as compared with the same days for January, 1937 what was the result?

A. A decrease of 7.51 per cent.

Q. So that there has been a steady decrease in kilowatt hours of consumption since November 1st, 1937 up to January 13, 1938, is that correct?

A. A steady decrease beginning with the month of November, yes, sir.

Mr. Miles: We offer this in evidence as Complainant's Exhibit F.

Judge Davis: That is admitted.

(Statement entitled "Edison Light and Power Company K.W.H. Output For Months of October, November and December, 1936 and 1937 and period January 1st to January 13th inclusive for the years 1937 and 1938" was marked Complainant's Exhibit F. A copy thereof follows:

[fol. 1460]

COMPLAINANT'S EXHIBIT "F"

"Edison Light and Power Company

Kwh. Output for Months of October, November and December, 1936, and 1937 and Period January 1st to January 13th, Inclusive, for the Years 1937 and 1938-

	Kwh.		Kwh.		Percent	
	Previous Year	Current Year	Increase	Decrease	Increase	Decrease
October.....	7,005,800	7,078,000	72,200		1.03	....
November.....	6,722,200	6,654,900		67,300		1.00
December.....	7,253,700	7,059,000		194,700		2.68
January.....	2,994,600	2,769,700		224,900		7.51")

By Mr. Miller:

Q. Mr. Isele, when you say decrease, you mean decrease as against the figures for the previous year?

A. That is correct.

Mr. Miles: That is right, for the same month of the previous year. That is all, Mr. Isele.

Cross-examination.

By Mr. Miller:

Q. Mr. Isele, in your statement of income how much has been included in the operating expenses for rate case expenses?

A. Well, for the 1935 period there was no rate case expense included.

[fol. 1461] For the '36 period the figure was in the neighborhood of thirty some odd thousand dollars.

Q. Was it \$38,710, do you recall?

A. Substantially that, yes.

Q. Now, on what basis were the taxes computed, upon the actual revenues or upon some calculated allowable revenue or reasonable revenue?

A. They were calculated on the actual taxes in effect, based upon the income of the company for that period.

Q. Now, in this exhibit showing the consumers connected and disconnected, do you have any figures showing how many of those disconnections were by virtue of someone who was moving from one point to another in the territory?

A. No, I do not, Mr. Miller.

Q. Then you do not mean to imply in submitting this exhibit that the disconnected consumers were entirely lost to the company, do you?

A. No.

Mr. Miller: That is all.

By Mr. Cohen:

Q. Just a question, Mr. Isele, how long have you been vice-president of the Edison Power and Light Company—Light and Power?

A. I have been vice-president since early this year, al-[fol. 1462] though I have been connected with the company continuously since 1926.

Q. Now, you say that since November of 1937 there has been a decrease in the kilowatt consumption?

A. Yes.

Q. Is that correct?

A. Yes.

Q. Now, are you acquainted with the order of the holding company reducing the salaries and the personnel—rather, reducing the personnel of the Edison Light and Power Company ten per cent?

A. No, sir.

Q. You are not? How many employees of the Edison Light and Power Company were dismissed within the past two weeks?

A. I don't know.

Q. Were there any?

A. I don't know as to that at all. There may have been some, there may have been an increase. I don't know the facts of that.

Q. You don't know anything about that. Is there anybody here, that you know, that would be in a position to testify as to that decrease in operating expense?

A. No, I don't know for a fact that anybody here would [fol. 1463] have those records.



Q. Now, you say you were connected with the Edison Light and Power Company for some period of time, is that correct?

A. Yes.

Q. Do you know whether or not the Edison Light and Power Company in their corporate net income tax return have filed individual returns, or that the Edison Light and Power Company were allowed to file a consolidated return with the York Railways Company?

A. Well, up to the time that consolidations were permitted they filed consolidated returns, but in the last two or three years, when that particular law was eliminated from the statute books, they filed individual returns.

Q. They filed individual returns. Do you know whether or not the Supreme Court of the Commonwealth of Pennsylvania has changed the application of the filing of individual returns and has allowed the filing of consolidated returns?

Mr. Miles: Your Honors, I don't think this witness ought to be interrogated on—

Judge Davis: Well, he can answer if he knows.

Mr. Miles: Well, it is a purely legal question.

[fol. 1464] The Witness: What I was referring to is the Federal—

By Judge Davis:

Q. Well, just wait, do you know, or do you not know?

A. No, I don't know as to that.

By Mr. Cohen:

Q. Well, you say you were referring to the Federal Income Tax?

A. Yes.

Q. Now, I will ask you, do you know whether or not the Edison Light and Power Company, along with its sole owner, the York Railways Company, has filed for the State net income tax, corporate net income tax, an individual or a consolidated return?

A. No, I don't know the facts as to that.

Q. But you say you are the vice-president of the company?

A. Yes, sir.

Q. And what are your duties?

A. Well, my duties are particularly financial accounting.

Q. Do you file the tax returns?

A. No, I don't have anything to do with that.

Q. Know nothing about that. Do you know whether [fol. 1465] there is anybody here that would be in a position to advise the Court as to the method by which the York Railways and Edison have filed their State net corporate income tax returns?

A. No, sir.

Mr. Cohen: That is all.

Mr. Miles: That is all.

---

Mr. Miles: Now, if Your Honors please, if we may have incorporated in the record—and I take it there is no objection from counsel for the Commission—a transcript of the testimony of the proceedings before the Pennsylvania Public Utility Commission, including all exhibits that were offered by either the company or the Commission, with that incorporation into the record the company is ready to rest its case.

Mr. Miller: I assume that includes the matter put in by stipulation—

Mr. Miles: All of them.

Mr. Miller: —November 15, 1938.

Mr. Miles: That is correct.

Mr. Miller: 1937.

Mr. Miles: All of them, every exhibit that has ever been [fol. 1466] filed with the Commission since the inception of the proceedings, and all testimony that was taken before the Commission.

Mr. Miller: We have no objection to that offer.

Judge Davis: All right, admitted.

Mr. Miller: I believe the annual reports were offered in evidence. The annual reports filed by the Edison Light and Power Company with the Commission were incorporated in the record by reference, but were not physically offered. I make that statement so that the Court may not feel that when the Commission bases an argument or a conclusion

upon matters in the annual reports and the Court does not find those annual reports physically in the record, that does not mean that they were not before the Commission and properly a part of the record.

Mr. Miles: That is true. Would Your Honors like us to hand you these at this time?

Judge Davis: Not at this time.

Mr. Miles: That is what I supposed, sir.

Complainant rests.

---

[fol. 1467]      Respondents' Evidence

Mr. Miller: We desire to offer only one item of evidence, Your Honors, being a page 177 of the January 8th, 1938 issue of the Commercial and Financial Chronicle, in New York, for the purpose of showing the comments on that page as to the course of the bond market, and to bring Exhibit 32, sheet 3, submitted at page 1044 of the record, up to date. That covers general bond yields.

Mr. Miles: Your Honors, for the purposes of the record we object for the same reason we objected to the exhibit when it was presented before the Commission, as relating not specifically to public utilities, but as including Government bonds and various characters of industry; and for the further reason it reflects only bond prices, with no regard to stocks.

Judge Davis: Admitted, and we grant an exception. Mr. Miller, do you have three copies of that?

Mr. Miller: I am sorry, Your Honor, we only had the one copy of the Financial Chronicle. We will be glad to supply copies for the Court's convenience.

(Article entitled "The Course of the Bond Market" on [fol. 1463] on page 177 of The Commercial and Financial Chronicle, New York, for January 8, 1938, was marked Respondents' Exhibit 1. A copy thereof follows.)

RESPONDENTS' EXHIBIT 1.

"The Course of the Bond Market"

The high-grade bond market and prices of United States Governments, which have both been pushing upward in an unspectacular but consistent rise since early in September,

again advanced this week. The price of eight Treasury bonds at 110.01 compares with last January's record high of 112.78, whereas Aaa's at 115.78 compare with 118.16 a year ago. As for lower grades, tendencies this week have been rather mixed. Aa's and A's took on some of the strength of Aaa's, but closed the week with little net change. Speculative utilities and industrials advances, but lower-grade rails recorded extensive declines, with a major default in interest payments on several large Erie RR. issues.

High-grade railroad bonds have displayed a mixed undertone during the week, and in most instances closing prices were a shade lower than last week. Norfolk & Western 4s, 1996, were off  $\frac{7}{8}$  at 118 $\frac{7}{8}$ ; Atchison gen. 4s, 1995, [fol. 1469] advanced  $\frac{3}{8}$  to 109 $\frac{3}{8}$ ; Texas & Pacific 5s, 2000, declines  $\frac{5}{8}$  to 115. Announcement of interest default on six of Erie's obligations has been the outstanding feature in the medium grade and speculative bond market this week. Concomitant with this, many new 1937-38 lows were registered in this group when fear developed regarding the ability of many other weak roads to remain in a solvent position. Those which suffered losses were Baltimore & Ohio, Illinois Central, Boston & Maine, and Lehigh Valley bonds. At the close of the week, however, a brisk recovery was witnessed on the announcement by Jesse Jones that the Reconstruction Finance Corporation was willing to aid the weak credit roads with RFC loans; at the same time, the approval of Baltimore & Ohio's loan of \$8,223,000 was announced.

Utility bonds have been little affected by the Supreme Court decisions on Monday and have moved in a very narrow range. In the latter part of the week medium grades responded moderately to strength in the stock market. Among issues recording fair gains were Associated Gas & Electric 5 $\frac{1}{2}$ s, 1938, which closed at 65, up 3; Georgia Power & Light 5s, 1978, advanced 4 $\frac{1}{2}$  to 64 $\frac{1}{2}$ ; Interstate [fol. 1470] Public Service 4 $\frac{1}{2}$ s, 1958, gained 2 $\frac{1}{2}$  at 66; Northwestern Public Service 5s, 1957, rose 5 $\frac{1}{2}$  to 86 $\frac{1}{2}$ . Highest-grade utilities have been virtually at a standstill.

A good degree of strength has characterized the industrial bond market this week, in contrast to last week, when receding tendencies prevailed. In the steel group, Bethlehem Steel 4 $\frac{1}{2}$ s, 1960, have risen 3 $\frac{1}{8}$  to 103 $\frac{3}{8}$ , and Otis Steel 4 $\frac{1}{2}$ s, 1962, have advanced 5 $\frac{1}{2}$  to 71. Metal bonds have been fea-

tured by a rise in the Phelps Dodge conv.  $3\frac{1}{2}$ s, 1952, of  $2\frac{3}{4}$  to  $105\frac{3}{4}$ . In the automobile group, Studebaker cov. 6s, 1945, have risen  $5\frac{1}{2}$  points to  $67\frac{1}{2}$ . Among meat packing bonds, Armour & Co. (Del.) 4s, 1955, advanced  $5\frac{1}{2}$  points to  $92\frac{1}{2}$ . On the other hand, retail issues have reced., Allied Stores  $4\frac{1}{2}$ s, 1950, falling 1 point to 90.

◦ There has been a slightly improved sentiment market-wise towards defaulted South American issues, which have firmed up moderately. El Salvador 8s, however, broke about 14 points following the renewed default. Among European issues, Polish bonds have continued strong, Italians have been mixed, while Germans have held their own. [fol. 1471] Japanese issues have declined.

Moody's computed bond prices and bond yield averages are given in the following tables:



## [fol. 1471] RESPONDENTS' EXHIBIT 1

## "Moody's Bond Prices (Revised)"

(Based on Average Yields)

1938 Daily Averages	U. S. Govt. Bonds	All 120 Domestic Corp.*	120 Domestic Corporate* by Ratings				120 Domestic Corporate by Groups*		
			Aaa			Baa	R.R.	P.U.	Indus.
			Aaa	Aa	A				
Jan. 7.....	109.97	95.62	115.78	107.88	95.46	72.00	81.35	99.83	108.46
6.....	110.01	95.29	115.78	107.88	95.13	71.57	81.22	99.48	108.08
5.....	109.90	95.13	115.35	107.88	94.97	71.25	81.09	99.48	107.49
4.....	109.69	95.29	115.57	107.88	95.13	71.46	81.61	99.48	107.11
3.....	109.69	95.46	115.35	108.27	95.29	71.68	82.13	99.48	106.92
Dec. 31, '37.....	109.69	95.46	115.14	108.08	95.13	72.11	82.66	99.31	106.54
High 1937.....	112.78	106.54	118.16	113.89	104.67	92.43	101.41	108.17	112.45
Low 1937.....	107.01	93.37	109.64	105.98	93.21	69.27	79.57	96.28	104.30
1 Yr. Ago.....	112.62	106.17	117.94	113.68	104.48	91.66	101.06	105.98	112.05
Jan. 7, '37.....	108.03	98.62	111.43	107.69	95.78	83.06	90.59	99.14	106.92
2 Yrs. Ago.....									
Jan. 7, '36.....									

\* These prices are computed from average yields on the basis of the "typical" bond (4% coupon, maturing in 30 years), and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the truer picture of the bond market."

[fol. 1472]

## "Moody's Bond-Yield Averages" (Revised)

(Based on Individual Closing Prices)


	All 120 Domestic Corp.	120 Domestic Corporate* by Ratings				120 Domestic Corporate-by Groups*				30 Foreigns
		Aaa	Aa	A	Baa	R.R.	P.U.	Indus.		
1938 Daily Averages										
Jan. 7	4.26	3.18	3.57	4.27	6.03	5.24	4.02	3.54	5.75	
Jan. 6	4.28	3.18	3.57	4.29	6.07	5.25	4.03	3.56		
Jan. 5	4.29	3.20	3.57	4.30	6.10	5.26	4.03	3.59		
Jan. 4	4.28	3.19	3.57	4.29	6.08	5.22	4.03	3.61		
Jan. 3	4.27	3.20	3.55	4.28	6.06	5.18	4.03	3.62		
Dec. 31, '37	4.27	3.21	3.56	4.29	6.02	5.14	4.04	3.64	5.70	
High 1937	4.40	3.48	3.67	4.41	6.29	5.38	4.22	3.76	5.78	
Low 1937	3.64	3.07	3.27	3.74	4.46	3.92	3.66	3.74	5.08	
1 Yr. Ago										
Jan. 7, '37	3.66	3.08	3.28	3.75	4.51	3.94	3.67	3.36	5.43	
2 Yrs. Ago										
Jan. 7, '37	4.08	3.39	3.58	4.25	5.11	4.58	4.05	3.62	6.30	

\* These prices are computed from average yields on the basis of one "typical" bond (4% coupon, maturing in 30 years), and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the truer picture of the bond market."

Respondents rest.

Evidence closed.

# MICROCARD

TRADE MARK 

# 22



MICROCARD<sup>®</sup>  
EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON MICROCARD AND MICROFICHES  
901 TWENTY-SIXTH STREET, N.W., WASHINGTON, D.C. 20037, PHONE (202) 333-6393

320

38-69



## [fol. 1473] MOTION FOR LEAVE TO AMEND BILL

Mr. Saul: I would like to move, if Your Honors please, to amend paragraph 8 of the bill. Paragraph 8 alleges the unconstitutionality of Section 310, and in reciting the sections that paragraph inadvertently omitted (a). It alleges sub-paragraphs (b), (c), and (d) are unconstitutional, and it should have included (a). Mr. Miller tells me there is no objection to having the bill amended.

Mr. Miller: We have no objection.

Judge Davis: Motion granted.

Mr. Saul: I will file a formal amendment.

Mr. Miles: That is the company's case, Your Honors, except for the argument.

Judge Davis: Is there anything further, gentlemen?

Mr. Miller: No, we have no further witnesses, if the Court please.

Mr. Miles: Of course, all we will be interested in is the question of the date for argument and for the filing of briefs, Your Honors.

Judge Davis: I suppose you will submit briefs, and those will have to refer to the testimony.

[fol. 1474]

## COLLOQUY

Judge Davis: Gentlemen, I can't tell just when you will get that done, but along about the first of March you may make application. I assume your briefs will be in by that time, and you may make application then for a date and we will give you a date as early as we can.

Mr. Miller: If the Court please, the reporter says approximately one week will be necessary for transcribing the record, and I would suggest that within three weeks, Mr. Saul, after you receive the testimony you could file your brief, could you not?

Mr. Saul: I think so, and then we can make our application to the Court for the time, fixing an argument.

Judge Davis: Then you can file briefs thereafter within what time?

Mr. Miller: Within three weeks, we would like.

Judge Davis: Three and three is six, and one is seven; well, in about seven weeks you can make your application, then.

Mr. Cohen: There is one other fact, I think, that should [fol. 1475] be called to the attention of the Court, that the final argument not coming up in this matter until March, I understand that the bond of the Edison in this matter is in the sum of seventy-five thousand. Is that correct?

Mr. Saul: That is correct.

Mr. Cohen: I think that was placed with the thought that the matter would be heard, at least, on January 17th, when we would know, have a better idea of how long the proceeding would take and the possibility of increasing the bond one way or the other.

Mr. Saul: We would be very glad to increase the bond to one hundred and fifty thousand dollars, if that will make you feel more comfortable, with the understanding the injunction continues.

Judge Davis: That takes in the variation of the dollar.

Mr. Miller: We would suggest, if the Court please, that we might take advantage of Mr. Saul's offer or the previous bond to give us the NyPanj as additional security.

Mr. Miles: We don't think that is necessary.

Judge Davis: Well, if the bond is increased I guess that will be sufficient.

[fol. 1476] Mr. LaBrum: And the injunction is continued indefinitely.

Reported by Everett G. Rodebaugh.

---

[fol. 1477] IN UNITED STATES DISTRICT COURT

STIPULATION AS TO SUBSTITUTION—Filed June 21, 1938

It is hereby stipulated and agreed by and between counsel for the respective parties that the caption of and bill of complaint and answer filed in the above-entitled matter be amended so as to substitute Arthur Colegrove, who has been appointed as successor of Guy K. Bard to the office of Public Utility Commissioner, as a party respondent in place of said Guy K. Bard with the same force and effect as if said Arthur Colgrove had originally been a party respondent in this action.

(S.) Walter Biddle Saul, Attorney for Complainant.

(S.) Samuel G. Miller, Assistant Counsel for Respondents. (S.) Edward Knuff, Counsel for Respondents.



[fol. 1478] IN UNITED STATES DISTRICT COURT

STIPULATION AS TO SUBMISSION, ETC.—Filed November 28,  
1938

It is Stipulated and Agreed, this 15th day of February, 1938, by and between Edward Knuff, Esq., counsel, and Samuel G. Miller, Esq., assistant counsel, for Pennsylvania Public Utility Commission, and Walter Biddle Saul, Esq., and Clarence W. Miles, Esq., of counsel for Edison Light & Power Company, that the application of complainant in the above-entitled matter, in which the Statutory Court sitting in the United States District Court for the Eastern District of Pennsylvania issued a temporary restraining order which is now in effect, be submitted to and acted upon by the Court as an application for a permanent injunction, and that any decree entered pursuant thereto shall be and become a final decree.

(S.) Edward Knuff, Esq., Counsel, Pennsylvania Public Utility Commission. (S.) Samuel G. Miller, Esq., Asst. Counsel, Pennsylvania Public Utility Commission. (S.) Walter Biddle Saul, Esq., Clarence W. Miles, Esq., of Counsel, Edison Light & Power Company.

[fol. 1479] IN UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA, DECEMBER TERM, 1937

No. 9893

EDISON LIGHT & POWER COMPANY, a Corporation, Complainant,

vs.

DENIS J. DRISCOLL, THOMAS C. BUCHANAN, RICHARD J. BEAMISH, Guy K. Bard and Donald Livingston, individually and as Constituting the Public Utility Commission of Pennsylvania, Respondents.

Before Buffington and Davis, Circuit Judges, and Dickinson, District Judge

**Findings of Fact, Conclusions of Law and Opinion**—Filed  
October 10, 1938

DAVIS, Circuit Judge:

#### FINDINGS OF FACT

1, Complainant, Edison Light & Power Company, a public utility corporation, duly organized under the laws of

Pennsylvania with principal office and place of business in York, Pennsylvania, is engaged in the business of generating, transmitting, distributing and selling electric energy.

2. Respondents are Denis J. Driscoll, Thomas C. Buchanan, Richard J. Beamish, Donald Livingston and Arthur Colegrove, (successor to Guy K. Bard, formerly a member of the Public Utility Commission of Pennsylvania and now Attorney General of that Commonwealth) the persons constituting the Pennsylvania Public Utility Commission, an administrative body of the Commonwealth of Pennsylvania.

3. Respondent, Denis J. Driscoll, resides in the Borough of St. Mary's, in the Western District of Pennsylvania; respondent, Thomas C. Buchanan, resides in the Borough of Beaver, in the Western District of Pennsylvania; respondent, Donald Livingston, resides in the Borough of Media, in the eastern District of Pennsylvania; and respondent Arthur Colegrove resides at —.

[fol. 1480] 4. The amount in controversy in this case exceeds the sum or value of \$3,000.00 exclusive of interest and costs.

5. On January 27, 1936, the Public Service Commission of the Commonwealth of Pennsylvania, the predecessor of respondents, instituted an inquiry and investigation on its own motion for the purpose of determining the justness and reasonableness of complainant's rates. Hearings beginning October 28, 1936, and ending June 23, 1937, were held before respondents and their predecessor, at which testimony and exhibits were introduced by both parties.

6. On June 15, 1937, respondents notified complainant of its opportunity to present, at a hearing to be held on June 23, 1937, such evidence as it might desire in connection with the consideration by the commission of the imposition of temporary rates, pending final determination of the rate proceeding.

7. Complainant introduced no evidence in specific connection with the possible imposition of temporary rates at the hearing held June 23, 1937, and the respondents set July 5, 1937, as the date for argument which was had on the date fixed: At these hearings complainants contended that the Act pursuant to which these rates were fixed was uncon-

stitutional and the case was completed and ready for the fixing of permanent rates.

8. On July 13, 1937, the commission, without having first given complainant preliminary notice of its findings and conclusions and opportunity to be heard in connection therewith, entered an order directing complainant to file temporary tariff schedules reducing its annual gross operating revenue by about \$435,000.00.

9. Two days thereafter, on July 15, 1937, the Superior Court of Pennsylvania filed its opinion in Pennsylvania Power & Light Company v. Public Service Commission et al., 193 Atl. 427, 128 Pa. Superior Court, 195, in the course of which the Court intimated that the commission should, whenever practicable, construct a tariff of specific reasonable rates and order its adoption by the utility involved. On July 27, 1937, the commission issued a report and order rescinding its report and order of July 13, 1937, [fol. 1481] insofar as it was deemed inconsistent with the cited opinion of the Superior Court. The effect of the order of July 27, 1937, was to prescribe a specific schedule of rates in place of those theretofore charged by the utility, the amount of the ordered reduction and the bases of its computation remaining unchanged.

10. On August 2, 1937, complainant filed a bill, which was heard by a Federal Statutory Court, praying for an injunction against the enforcement of the commission's order of July 27, 1937, on the grounds that it violated the Fourteenth Amendment to the Constitution of the United States, that Section 310 of the Pennsylvania Public Utility Act, under which the order was issued, was contrary to the Fourteenth Amendment of the Constitution of the United States; that it imposed confiscatory rates; and that the commission had made no findings to support its conclusions as to the allowable rate base. Oral argument was had on August 9, 1937. On October 15, the Federal Statutory Court issued a permanent injunction restraining the commission from enforcing its temporary order and the rates determined therein.

11. Subsequently, on November 17, 1937, certain additional exhibits of complainant and commission were made part of the rate proceedings by stipulation. (These were

introduced into evidence before this court on January 17, 1938, as part of the record.)

12. Thereafter, on November 30, 1937, the commission issued a supplemental report and order prescribing temporary rates, calculated as previously, to effect a reduction of \$435,000.00.

13. On December 7, 1937, complainant, without first having been given notice of commission's findings and conclusions and opportunity to be heard in connection therewith, was served with a copy of the supplemental report and order.

14. On December 14, 1937, complainant filed a bill in the United States District Court for the Eastern District of Pennsylvania, praying for an injunction for the reasons; inter alia, that the order imposed confiscatory temporary rates; that section 310 of the Pennsylvania Public Utility Act, under which the commission acted was unconstitutional; and that the commission had applied the wrong [fol. 1482] provision of the Pennsylvania Public Utility Act to complainant.

15. On December 17, 1937, the Federal Statutory Court, specially convened under the provisions of section 266 of the Judicial Code, granted complainant a preliminary restraining order.

16. On January 17, 1938, hearing was held by the Court and testimony was taken upon motion for an interlocutory injunction. The restraining order was continued upon condition that complainant file a bond in the amount of \$150,000.00. The bond was filed and the parties stipulated that the matter be considered as an application for a permanent injunction. On May 9, 1938, argument was heard thereon and briefs were later filed by the parties.

17. Complainant's rate case expense in the proceedings instituted by the commission totalled approximately \$178,375.00 up to November 15, 1937. No allowance for any of this expense was made by the commission in its order of November 30, 1937.

18. The rate case expense was necessarily incurred by complainant in an investigation instituted on the commission's own motion, and it was paid in part for the prepa-

ration and presentation of evidence, exhibits and other data for the use of the commission.

19. The commission's order of November 30, 1937, excluded from consideration as an operating expense the item of \$20,593.00 increased salary expense which complainant is required to pay and is paying to certain of its officers and employees pursuant to resolution of its Board of Directors passed October 28, 1937.

20. The commission made no allowance for the loss in net revenue to the complainant of approximately \$15,089.00 annually which will result from the abandonment of trolley service by the York Railways Company which now and for many years has purchased power from complainant.

21. The commission, in its finding of reproduction cost new less accrued depreciation, made no deduction for capital donated to complainant by consumers.

22. The commission in its order of November 30, 1937, made no separate allowance for going concern value.

[fol. 1483] 23. The commission, in its finding of original cost depreciated, made no deduction for property used exclusively by York Railways Company.

24. The commission, in its report and order of November 30, 1937, found that \$5,250,000.00 represented the fair value of complainant's property for temporary rate purposes but the Company says the fair value of its property is \$5,866,081.00.

25. The commission, in its report and order of November 30, 1937, found that a rate of return of six per cent would be fair and reasonable for temporary rate purposes.

26. The commission, in its report and order of November 30, 1937, found that the annual operating revenues of complainant should not exceed the sum of \$1,697,829.00 for temporary rate purposes.

27. The commission, in its report and order of November 30, 1937, allowed \$164,000.00 for working capital for complainant's business. This allowance is supported in the record by substantial evidence.

28. The commission, in imposing temporary rates in this case, proceeded under the provisions of section 310 (a), (c), and (e) of the Public Utility Act.



29. Complainant does not have continuing property records. This requires the commission in fixing temporary rates to proceed under section 310 (b).

30. In fixing temporary rates to be charged by complainant, the commission proceeded under section 310 (a) which permits the prescription of temporary rates, in the case of a utility having continuing property records, which will produce a return of only 5% on original cost less accrued depreciation of the utility's physical property.

31. Section 310. (paragraphs (a) and (b)) permits the fixing of different rate bases for utilities, depending solely upon a method of bookkeeping, the existence or non-existence of continuing property records.

32. The commission's temporary rate order of November [fol. 1484] 30, 1937, sets no time limit for the duration of the temporary rates it prescribes.

#### CONCLUSIONS OF LAW

1. The complainant has no plain, speedy and adequate remedy, either at law or in equity, in the courts of the Commonwealth of Pennsylvania.

2. This court has jurisdiction of the subject matter and the parties.

3. The commission's order of November 30, 1937, is invalid and void because in fixing temporary rates under paragraph (a) of section 310 for complainant, a utility having no continuing property records, commission acted in direct violation of the mandatory provisions of the Public Utility Act which requires rates for complainant to be fixed under paragraph (b) of section 310.

4. The commission's order of November 30, 1937, is unconstitutional and void because it violates the procedural requirements of due process in the method used to determine the rate base for the prescription of temporary rates.

5. The commission's order of November 30, 1937, is unconstitutional and void under the Fourteenth Amendment of the Constitution of the United States because it takes the property of the complainant without just compensation therefor, in that it fails to permit the complainant to earn

a fair return on the fair value of its property used and useful in the public service.

6. The commission's order of November 30, 1937, is unconstitutional and void because it confiscates complainant's property.

7. The findings and conclusions of the commission's order of November 30, 1937, are not supported by substantial evidence.

8. The bill of complaint should be sustained and a permanent injunction issue enjoining and restraining the enforcement of the commission's order.

#### OPINION

This was a suit in equity brought by the Edison Light & Power Company, hereinafter called the company, to restrain [fol. 1485] the respondents, The Pennsylvania Public Utility Commission, hereinafter called the commission, and the persons composing the commission individually, from enforcing its "temporary rate" order of November 30, 1937, directing the company to file a tariff supplement effecting a reduction of approximately \$435,000 in its annual gross revenue.

It should be stated at the outset that this court is not a rate-making body. The function of fixing the rates of a public utility belongs to the Commonwealth. It has the right to control private corporations, whose business, necessarily monopolistic in character, is affected with a public interest. That control, where the fixing of rates is involved, is exercised through one of its agencies, the Public Utility Commission. In exercising this control, the rights of both the public and the corporation must be considered. The company is entitled to a fair return on a fair value of its property devoted to the public service. The return can not be so high as to exceed the value of the service to the consumer and can not be so low as to confiscate the property devoted to that service. In other words the company is entitled to ask a fair return upon the value of the property which it employs for the public convenience and the public is entitled to demand that no more be exacted from it than the services rendered are reasonably worth. Neither is entitled to anything more than these reciprocal rights.

The order in this case was made by the commission pursuant to section 310 (a) of the Public Utility Act of Pennsylvania of May 28, 1937, which provides as follows:

**"Temporary Rates.—(a)** The commission may, in any proceeding involving the rates of a public utility brought either upon its own motion or upon complaint, after reasonable notice and hearing, if it be of opinion that the public interest so requires, immediately fix, determine, and prescribe temporary rates to be charged by such public utility, pending the final determination of such rate proceeding. Such temporary rates, so fixed, determined, and prescribed, shall be sufficient to provide a return of not less than five per centum upon the original cost, less accrued depreciation, of the physical property (when first devoted to public use) of such public utility, used and useful in the public service, and if the duly verified reports of such public utility to the commission do not show such original cost, less accrued depreciation, of such property, the commission may estimate such cost less depreciation and fix, determine, and prescribe rates as hereinbefore provided."

[fol. 1486] The company, feeling aggrieved by the order, made application for a statutory court pursuant to the provisions of section 266 of the Judicial Code. An order convening such court was signed on December 14, 1937 and on the same day a preliminary restraining order was entered against the commission upon the entry of a bond by the company for \$75,000. The motion for an interlocutory injunction came on for hearing on January 17, 1938. At the conclusion of the hearing, the restraining order was continued upon the filing of a bond by the complainant for \$150,000. It was agreed between the parties that the matter be treated as an application for a permanent injunction.

The company contends that this section (310(a)) is unconstitutional for the reason that it permits the commission to fix a temporary rate of only 5 per cent. of the original cost, less accrued depreciation of the physical property (when first devoted to public use) of the utility, thus basing the rate upon only one element of the utility's property instead of upon all of its property as the decisions of the Supreme Court require.

The Supreme Court in the leading case of *Smyth vs. Ames*, 169 U.S. 466, 547 said the following elements must

be considered in finding the fair value of the property of a public utility, devoted to the public use:

"And in order to ascertain that value, the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stock, the present as compared with the original cost of construction, the probable earning capacity of the property under particular rates prescribed by statute, and the sum required to meet operating expenses, are all matters for consideration, and are to be given such weight as may be just and right in each case."

From the time of that decision until the present the Supreme Court in case after case has declared that these elements must be considered by rate-making bodies in fixing a fair return on the fair value of the property of a utility devoted to the public service. *Des Moines Gas Company v. City of Des Moines*, 238 U. S. 153; *Missouri ex rel. Southwestern Bell Telephone Co. v. Public Service Commission of Missouri, et al.*, 262 U. S. 276; *St. Louis & O'Fallon [fol. 1487] Railway Co. et al. v. United States, et al.* 279 U. S. 461; *United Railways v. West*, 280 U. S. 234; *Los Angeles Gas & Electric Corporation v. Railroad Commission*, 289 U. S. 287; *Dayton Power & Light Co. v. Public Utilities Commission of Ohio*, 292, U. S. 290; *Columbus Gas & Fuel Co. v. Public Utilities Commission of Ohio*, 292 U. S. 398; *West v. Chesapeake & Potomac Telephone Co.* 295 U. S. 662. The law of Pennsylvania is to the same effect. *Bangor Water Co. v. Public Service Commission*, 82 Pa. Superior 48; *City of Erie et al. v. Public Service Commission*, 278 Pa. 512. From the nature of the case, these elements, being property rights, must be considered in finding the present fair value of property. For instance, when we consider the constant increase or decrease in the cost of material and labor, the amount spent in permanent improvements, allowance for overheads, working capital, going concern value (which alone the company says is \$400,000 in this case) the present fair value of property may be very different from the original cost less accrued depreciation. A rate based upon this one element alone as provided in the Act, must, in many, if not all instances, be confiscatory.

The commission seeks to avoid this inevitable conclusion and the constitutional infirmities of the Act by saying that

it does not limit the commission in finding fair value to the consideration of the one element of original cost. It argues that because it "may" not "must", consider the one element only, the constitutionality of the Act is saved. In other words, it contends that the test of the constitutionality of an Act depends upon the exercise, and not upon the grant of power. The constitutionality of an Act, it says, depends upon what is done, and not upon what may be done under it. If this contention be true, the constitutionality of an act depends upon the will of men and not upon a rule of law. The mere statement of this contention shows its infirmity. *People v. Klinck Packing Co.*, 214 N. Y. 121.

Nor is the constitutionality of the Act saved by the provision in section 310(e) which provides that:

[fol. 1488] "If, upon final disposition of the issues involved in such proceeding, the rates as finally determined, are in excess of the rates prescribed in such temporary order, then such public utility shall be permitted to amortize and recover, by means of a temporary increase over and above the rates finally determined, such sum as shall represent the differences between the gross income obtained from the rates prescribed in such temporary order and the gross income which would have been obtained under the rates finally determined if applied during the period such temporary order was in effect."

When this question, in the case of *Edison Light & Power Company v. Driscoll*, 21 Fed. Supp. 1, was considered in the Middle District of Pennsylvania, the court said:

"Does the fact that the rates fixed are only temporary save the order from the inhibition of the constitution? We think it does not, and that this question is answered by the case of *Prendergast v. New York Telephone Company*, 262 U. S. 43, 49, 43 S. Ct. 466, 469, 67 L. Ed. 853, where the court said: 'Nor did the fact that the orders of the Commission, merely prescribed temporary rates to be effective until its final determination, deprive the Company of its right to relief at the hands of the court. The orders required the new reduced rates to be put into effect on a given date. They were final legislative acts as to the period during which they should remain in effect pending the final determination; and if the rates prescribed were confiscatory the Company would be deprived of a reasonable return upon its property



during such period, without remedy, unless their enforcement should be enjoined. Upon a showing that such reduced rates were confiscatory the Company was entitled to have their enforcement enjoined pending the continuance and completion of the rate-making process.'

It has been argued that the recoupment provision of the Pennsylvania act avoids the infirmity in the New York act which the court pointed out in the Prendergast case. This argument in effect means that it is proper and legal to violate the Constitution if at some future time that violation may be corrected wholly or in part. In other words, it is perfectly all right and permissible to take one's money by force if by and by it may be partly returned to him. If that is so, how long may the Constitution be violated during which time the injured party is without remedy? May it be for a month, as provided in section 310(c) of the act (66 P.S. Pa. Sec. 1150(c), or for a trial period of six months or a year as provided in section 310(d) of the act (66 P.S. Pa. Sec. 1150(d)? Such interpretation of the constitutional requirement is unsound.

Further, the provision for recoupment is not entirely effective. It does not provide for interest of the money, which the company loses during the trial period, while the final rates are being fixed, and if it did so require, considerable portions of the principal lost, might never be recovered. The act provided that if the final rates are higher than the temporary rates, 'then such public utility shall be permitted to amortize and recover, by means of a temporary increase over and above the rates finally determined' (section 310(e) of the act, 66 P. S. Pa. Sec. 1150(e) the sum lost on account of the temporary rates. But if the consumer discontinues [fol. 1489] the service or move out of the territory, as doubtless in a shifting population will be frequently done, the utility in many cases will be absolutely without remedy for section 305 of the act (66 P. S. Pa. Sec. 1145) abolishes 'deposits to secure future payments'."

What was said there is applicable here and the provision in subsection 310 (e) does not save the constitutionality of this section.

We think that section 310 (a) of the Act is unconstitutional and what was done pursuant to it is invalid.

If, however, we are in error about this and the section is constitutional, we think that the order is invalid for the reason that it is confiscatory.

The final report of the commission and the briefs of the parties contain many analyses and a mass of figures which it is difficult for one not a certified public account- or technical engineer to understand. Some of the figures may be unimportant, but others are important. The commission found that the rate base or fair value of the company's property for the purpose of prescribing temporary rates is \$5,250,000. Another important fact is that the operating revenue received by the company for the year ended September 30, 1937 was \$2,202,329. In order to determine the net profit, the expenses incurred in operation, the taxes as adjusted and the amount the commission ordered to be deducted from the revenue must be subtracted from this sum. According to the commission these items aggregate \$1,817,829, which subtracted from \$2,202,329 leaves a net profit of \$384,500. But the company contends that in addition to the items allowed by the commission, the following allowances should be made: \$178,375, rate case expenses; \$20,593 increased salary expenses to officers and employees as provided by its board of directors; \$15,089 realized by the company on sale of electric energy to York Railways Company which was included in the operating revenue. According to the contention of the company, therefore, the expenses etc. which should have been allowed amount to \$2,010,680, which subtracted from the income leaves a net profit of \$191,649. Should these additional expenses be allowed? [fol. 1490] As to the rate case expense of \$178,375, the suit was started by the commission which required the company to produce much of the evidence necessitating the expense for which allowance is sought. There is no contention that the expense was unreasonable or in any manner inflated. The commission disallowed this expense on the ground, in part, at least, that the company in the past received excessive rates, but this position is untenable, Board of Public Utility Commission v. New York Telephone Co., 271 U. S. 23, 31, and on the further ground that part of the expense was incurred under the Public Service Company law which was superseded by the Public Utility Act, effective June 1, 1937. The former law included no provision for assessment of the costs of investigation or general regulatory expenses against public utilities. The evidence produced under the predecessor of the Pennsylvania Public Utility Commission was used by the latter. In any event the company did not ask the allow-

ance of the expense on the ground that the commission has the right to assess the costs, but on the ground that it was a reasonable expense honestly and necessarily incurred, actually paid and, therefore, ought to be allowed in fixing a fair return. It is the policy of the courts to allow rate case expenses if the complaint of the utility is not unfounded and if the cost of the proceedings have not been swollen by untenable objections. In determining what the rate of return on the property of a utility shall be, "the commission must give heed to all legitimate expenses that will be charges upon income during the term of regulation, and in such a reckoning the expenses of the controversy engendered by the ordinance must have a place like any others." In speaking of the allowance of expenses of the rate litigation, the Supreme Court further said: "We think they must be included among the costs of operation in the computation of a fair return." *West Ohio Gas Co. v. Public Utilities Commission*, 294 U. S. 63, 73, 74.

{fol. 1491} Increased salary expenses required to be paid by the company to its officers and employees pursuant to a resolution by its board of directors, if reasonable, should be allowed. The evidence does not show these increases to be unreasonable or exorbitant. A commission may regulate but not manage a utility. It "is not empowered to substitute its judgment for that of the directors of the corporation." *Southwestern Bell Telephone Co. v. Public Service Commission*, 262 U. S. 276, 289.

We think that the loss of \$20,593 included in the revenue to the company on the sale of energy to the York Railway Company at and upon the abandonment of that company should have been allowed by the commission. As we understand it the abandonment is certain and is not denied.

The other item in dispute grows out of the adjustment of taxes because of the reduction in revenue of \$435,000 ordered by the commission. The original amount of taxes paid by the company was \$333,649 and the commission allowed a reduction of \$127,249 leaving a balance of \$206,400 to be paid by the company. The company, on the other hand, says that \$148,455 should have been allowed, leaving a balance of \$185,194 to be paid. It is not clear just how this difference of \$21,206 between them arose, but it does not have a decisive bearing on the case, for the reason that if the contention of the company is correct, it decreases the expense, increases the profit and the rate of return.

If these allowances are made, as we think they should be, the return, as above stated, on the fair value of \$5,250,000 found by the commission is 3.65%. If \$5,866,081 is taken as the rate base, the return allowed is 3.27%. Either, under the facts of the case, is confiscatory.

The commission, however, says that if the rate case expense is allowed and amortized over a period of five years, the profit of operation would be greater and the return would not be confiscatory. But however that might be, it was not allowed in any form, for a single year or amortized, and we must pronounce upon the order as made.

[fol. 1492] It follows that the company is entitled to a permanent injunction restraining the commission from enforcing the temporary rates prescribed in accordance with the prayer of the bill.

---

[fol. 1493] IN UNITED STATES DISTRICT COURT

[Title omitted]

DECREE—Filed October 14, 1938

And Now, to wit, this 14th day of October, 1938, this cause having come on for hearing on application for permanent injunction on January 17, 1938, and argument having been heard by the Court on May 9, 1938, and after consideration thereof and an opinion thereon filed on October 10, 1938, it is

Ordered, Adjudged and Decreed that respondents and each of them individually in their own respective rights, and in their official capacities as members of the Pennsylvania Public Utility Commission, and their respective successors in office, and all those acting or claiming to act under their authority or in aid or assistance of them, be and hereby are permanently enjoined and restrained from in any manner enforcing or attempting to enforce the temporary rates prescribed in the supplemental report and order of the Pennsylvania Public Utility Commission dated November 30, 1937.

[fol. 1494] Ordered, Adjudged and Decreed that respondents and each of them, individually in their own respective rights and in their official capacities as members of the Pennsylvania Public Utility Commission, and their respec-

tive successors in office, and all those acting or claiming to act under their authority or in aid or assistance of them, be and hereby are permanently enjoined and restrained from instituting or threatening to institute, or imposing against complainant or any of its officers, directors, servants, agents, or employees, any civil or criminal proceeding, or action for the imposition of any penalty, in any manner or form before any judge or court of any jurisdiction, based upon any claimed violation by complainant of, or noncompliance with, said supplemental report and order of the Pennsylvania Public Utility Commission dated November 30, 1937. It is further

Ordered, Adjudged and Decreed that complainant's bond in the sum of \$150,000.00, which was filed with this Court conditioned upon prompt repayment by complainant to its customers, in the event that the prayers of its bill of complaint were denied, of the sums of money received by it from its customers for electric service supplied on and after December 19, 1937, under its existing rate schedules to the extent that such sums of money were in excess of the rates and charges ordered by the respondents in their order of November 30, 1937, together with interest on such excess charges at the rate of six per cent. (6%) per annum, be released, discharged and cancelled, and complainant relieved from any liability thereunder.

[fol. 1495] Further Ordered, Adjudged and Decreed that complainant recover from respondents all the costs of this action.

(Sgd.) J. Warren Davis, J.

[fol. 1496] IN UNITED STATES DISTRICT COURT

[Title omitted]

PETITION FOR APPEAL—Filed November 18, 1938

To the Honorable Oliver B. Dickinson, District Judge:

Conceiving themselves aggrieved by the final Decree and Judgment of the United States District Court for the Eastern District of Pennsylvania, made and entered in the above entitled cause on the Fourteenth day of October, 1938, the respondents therein appeal from said Judgment



to the Supreme Court of the United States and pray that said appeal may be allowed.

Guy K. Bard, Attorney General. Samuel Graff Miller, Edward Knuff, Counsel for Respondent. Herbert B. Cohen, Attorney for Intervenors.

Dated this 18th day of November, 1938.

---

[fol. 1497] IN UNITED STATES DISTRICT COURT

[Title omitted]

ORDER ALLOWING APPEAL—Filed November 18, 1938

Upon motion of Guy K. Bard, Edward Knuff, and Samuel Graff Miller, solicitors and counsel for respondents, and Herbert B. Cohen, solicitor and counsel for intervenors, it is hereby ordered that an appeal to the Supreme Court of the United States from the decree and order filed and entered the Fourteenth day of October, 1938, in the above entitled case granting permanent injunction with costs and cancelling plaintiff's bond, be, and the same is hereby allowed; and it is further ordered that a certified transcript of the record, testimony, exhibits, & calculations, and all proceedings be forthwith transmitted to the Supreme Court of the United States, under the rules of the Supreme Court in such cases made and provided; and it is further ordered that a citation issue returnable thirty (30) days from the date hereof. Bond in \$500.00 to be approved.

By the Court.

(S.) Buffington, J., District Judge.

Dated this 18th day of November, 1938.

---

[fol. 1498] IN UNITED STATES DISTRICT COURT

[Title omitted]

ASSIGNMENT OF ERRORS—Filed November 18, 1938

Pennsylvania Public Utility Commission, Denis J. Driscoll, Thomas C. Buchanan, Richard J. Beamish, Arthur Colegrove (substituted for Guy K. Bard), and Donald Liv-

ingston, respondents, in the above entitled cause, also Utility Consumers League of York, Pennsylvania, intervenors in the said cause, in connection with their appeal from the decree entered in this cause the Fourteenth day of October, 1938, by the District Court of the United States, specially constituted under the provisions of Section 266 of the Judicial Code, file the following assignment of errors upon which they will rely in their prosecution of the said appeal from the said decree, and say that in the record, proceedings and decree therein manifest error has intervened to the prejudice of the respondents and intervenors as follows, to wit:

1. The Court erred in holding unconstitutional Section 310 of Article III of the Public Utility Law (Act of May 28, 1937 Pamphlet Laws 1053, Purdon's Pennsylvania Statutes Annotated 1937 Supplement, Title 66, Section 1150).

[fol. 1499] 2. The Court erred in failing to make a finding as to the value of the complainant's property.

3. The Court erred in failing to find that the Pennsylvania Public Utility Commission findings of reproduction cost depreciated, original cost depreciated, fair value and rate of return, all for temporary rate purposes, were supported by substantial record evidence.

4. The Court erred in holding that the temporary rates fixed by Pennsylvania Public Utility Commission were confiscatory and in failing to hold that said rates were adequate and proper.

5. The Court erred in holding that, in computing temporary rates, Pennsylvania Public Utility Commission had improperly disallowed operating expenses claimed by complainant, and in failing to hold that Pennsylvania Public Utility Commission had allowed all proper operating expenses.

6. The Court erred in failing to dismiss the bill of complaint for want of equity, and in failing to dissolve the temporary restraining order theretofore entered.

7. The Court erred in making and entering its final decree of October 14, 1938, permanently enjoining enforcement of the temporary rates prescribed by Pennsylvania Public

Utility Commission on November 30, 1937, cancelling complainant's bond, and imposing all costs on respondents.

[fol. 1500] IN UNITED STATES DISTRICT COURT

[Title omitted]

AMENDED PRAECIPE FOR PREPARATION AND CERTIFICATION OF  
TRANSCRIPT OF RECORD—Filed December 5, 1938

To the Clerk of the United States District Court for the  
Eastern District of Pennsylvania:

SIR:

Please prepare a transcript of record to be certified and transmitted to the Supreme Court of the United States pursuant to the appeal heretofore taken in this case and include therein the following:

1. Bill of Complaint.
2. Affidavits in support of Plaintiff's motion for Restraining Order.
3. Answer of Respondents to Bill of Complaint.
4. Answer of Intervenor to Bill of Complaint.
5. Transcript of Minutes before Public Service Commission filed. (3 Vol.).
6. Transcript of Minutes and Exhibits before U. S. District Court.
7. Stipulation substituting Commissioner Colēgrove for Commissioner Bard.
- [fol. 1501] 8. Respondents' Exhibit 17 (Revised), Summary of Reproduction Cost Estimate as of November 30, 1936, from Day & Zimmerman Report.
9. Respondents' Exhibit 21 (Revised), Summary of Reproduction Cost Estimate as of November 30, 1936, from Day & Zimmerman Report, with deductions from Accounts 204-215, inclusive, for property used for steam production, property not used and useful, and property used exclusively for York Railways Company, and with adjustments and allowance for indirect costs.
10. Respondents' Exhibit 23, Estimate of Original Cost as of June 30, 1936.
11. Respondents' Exhibit 24, Earnings and Dividend Record of Predecessor Companies.

12. Respondents' Exhibit 26, Details of Computation of Original Cost of Predecessor Companies.

13. Respondents' Exhibit 27, Statement of Income Available for Return of Predecessor Companies as reflected in capital stock tax returns, with adjustments.

14. Respondents' Exhibit 31, Discount, Brokerage or Underwriting Commission and Mechanical Expense on all Security Issues approved by Commission to November 15, 1936.

15. Respondents' Exhibit 32, Bond Yields as reported by Survey of Current Business issued by United States Department of Commerce.

16. Respondents' Exhibit 33, Yields to Maturity of Security Issues approved between July 1, 1933, and May 7, 1937, which were for a term of ten years or more, bore a fixed return in dollars, were of a type generally marketable and were actually sold for cash to non-affiliated interests.

17. Respondents' Exhibit 34, Bond Prices and Yields of Pennsylvania electric utilities.

18. Respondents' Exhibit 35, New York Money Rates from January 1, 1932, to April 23, 1937.

19. First four sheets of Respondents' Exhibit 36, Corporation Profits and Earnings on Common Stocks arranged according to Ratios of Earnings to High Market Prices of Common Stocks.

20. Complainant's Exhibit 1, Capitalization of York Railways Company, Subsidiary and Predecessor Companies.

[fol. 1502] 21. Complainant's Exhibit 7, 1936 Increment Cost of Service to York Railways Company and Profit to Complainant.

22. Complainant's Exhibit 8, Page 1, Summary of Reproduction Cost Estimate as of November 30, 1936.

23. Complainant's Exhibit 9, Summary Sheet 1, Day & Zimmerman Estimate of Original Cost.

24. Complainant's Exhibit 12, Chart showing Distribution of Salaries of Officers and Employees to the Various Classes of Utilities on the Basis of Services rendered during the year ended December 31, 1936.

25. Complainant's Exhibit 15, Net Operating Earnings adjusted to show Increase in Operating Expense which would be Experienced by Complainant if Joint Operating Agreement with Affiliated Companies were not in Effect, the date being for the year ended December 31, 1936.

26. Complainant's Exhibit 17, Excess or Deficiency of Income of Predecessor Companies Based on Return of Eight

Per Cent Applied to Fixed Capital and Working Capital Investment.

27. Complainant's Exhibit 18, Summary of Reproduction Cost Estimates of Used and Useful Property as of November 30, 1936, and May 31, 1937.

28. Complainant's Exhibit 19, Statement of Net Operating Earnings for Twelve Months ended September 30, 1937, with Reflection of Unrecorded Operating Expense Items.

29. Complainant's Exhibit 19a, Details of Operating Revenues, Expenses and Taxes for year ended September 30, 1937.

30. Complainant's Exhibit 19d, Resolution Relating to Discontinuance of Existing System of Allocation of Salaries among Affiliated Corporations.

31. Complainant's Exhibit 20, Statement of Effect of Pay-roll Increases.

32. Complainant's Exhibit 21, Statement of Rate Case Expenses to November 15, 1937.

33. Complainant's Exhibit 22, Additions to Fixed Capital, December, 1936, to September, 1937.

34. Complainant's Exhibit 23, Detail of Operating Expenses for year ended September 30, 1937.

[fol. 1503] 35. Stipulation of February 15, 1938, Submitting Matter for Final Decree.

36. Opinion, Davis, C. J., Buffington, C. J., and Dickinson, D. J., Concurring, Granting Permanent Injunction and Making Certain Findings of Fact and Conclusions of Law.

37. Decree Granting Perpetual Injunction with Costs and Cancelling Plaintiff's Bond.

38. Petition of Respondents and Intervenors for Appeal and Order of Court Allowing Appeal.

39. Assignment of Errors.

40. Statement of Jurisdiction.

41. Stipulation of Counsel and Amended Praecept For Transcript of Record.

42. Citation.

43. Clerk's Certificate.

And such other matters as, under the Rules of the Supreme Court of the United States, you may be required to certify.

(S.) Samuel Graff Miller, Counsel for Appellants.

It is hereby stipulated on behalf of Appellee that the matters set forth in the above amended praecipe for preparation



and certification of Transcript of Record constitute all of the matters necessary to be transmitted as the record in the above captioned appeal.

(S.) J. Harry LaBrum, Counsel for Appellee.

---

[fols. 1504-1510] Citation, in usual form, showing service on J. Harry La Brum, filed November 18, 1938, omitted in printing.

---

[fol. 1511] IN UNITED STATES DISTRICT COURT

[Title omitted]

STIPULATION AS TO SUBSTITUTION—Filed December 5, 1938

It is hereby stipulated and agreed by and between counsel for the respective parties that the caption of the bill of complaint and answer filed in the above-entitled matter, as amended, be further amended so as to substitute John Sullivan, who has been appointed as successor of Arthur Colegrove to the office of Public Utility Commissioner, as a party respondent in the place of the said Arthur Colegrove, with the same force and effect as if said John Sullivan had originally been a party respondent in this action.

J. Harry La Brum, Attorney for Complainant.  
Samuel Graff Miller, Assistant Counsel for Respondents. Edward Knuff, Counsel for Respondents.

---

[fol. 1511-A] Clerk's certificate to foregoing transcript omitted in printing.

---

[fol. 1512] IN SUPREME COURT OF THE UNITED STATES

STATEMENT OF POINTS ON WHICH APPELLANTS INTEND TO RELY AND OF PARTS OF THE RECORD NECESSARY FOR CONSIDERATION THEREOF—Filed December 6, 1938

Pennsylvania Public Utility Commission, Denis J. Driscoll, Thomas C. Buchanan, Richard J. Beamish, and Donald

Livingston, and Utility Consumers League of York, Pennsylvania, appellants in connection with this appeal, file the following statement of points upon which they will rely in their prosecution of the said appeal, to wit:

1. The court below erred in holding unconstitutional Section 310 of Article III of the Public Utility Law (Act of May 28, 1937, P. L. 1053, P. S. A. 1937, Sup. Tit. 66 § 1150).
2. The court below erred in failing to make a finding as to the value of the property of appellee.
3. The court below erred in failing to find that the Pennsylvania Public Utility Commission findings of reproduction cost depreciated, original cost depreciated, fair value and [fol. 1513] rate of return, all for temporary rate purposes, were supported by substantial record evidence.
4. The court below erred in holding that Pennsylvania Public Utility Commission had, in computing temporary rates, improperly disallowed certain operating expenses claimed by appellee.
5. The court below erred in making and declaring its final decree of October 15, 1938, permanently enjoining enforcement of the temporary rates prescribed by Pennsylvania Public Utility Commission on November 30, 1937, cancelling appellee's injunction bond and imposing all costs on Pennsylvania Public Utility Commission and its members.

The appellant represents that the parts of the record necessary for the consideration of these points are as follows:

1. Bill of Complaint.
2. Affidavits in support of Plaintiff's motion for Restraining Order.
3. Answer of Respondents to Bill of Complaint.
4. Answer of Intervenor to Bill of Complaint.
5. Transcript of Minutes before Public Service Commission and Pennsylvania Public Utility Commission.
6. Transcript of Minutes and Exhibits before U. S. District Court.
7. Stipulation substituting Commissioner Colegrove for Commissioner Bard.

[fol. 1514] 8. Respondents' Exhibit 17 (Revised), Summary of Reproduction Cost Estimate as of November 30, 1936, from Day & Zimmermann Report.

9. Respondents' Exhibit 21 (Revised), Summary of Reproduction Cost Estimate as of November 30, 1936, from Day & Zimmermann Report, with deductions from Accounts 204-215, inclusive, for property used for steam production, property not used and useful, and property used exclusively for York Railways Company, and with adjustments and allowance for indirect costs. (Printed Page 996.)

10. Respondents' Exhibit 23, Estimate of Original Cost as of June 30, 1936. (Page 1012.)

11. Respondents' Exhibit 24, Earnings and Dividend Record of Predecessor Companies. (Page 1015.)

12. Respondents' Exhibit 26, Details of Computation of Original Cost of Predecessor Companies. (Page 1021.)

13. Respondents' Exhibit 27, Statement of Income Available for Return of Predecessor Companies as reflected in capital stock tax returns, with adjustments. (Page 1025.)

14. Respondents' Exhibit 31, Discount, Brokerage or Underwriting Commission and Mechanical Expense on all Security Issues approved by Commission to November 15, 1936. (Page 1041.)

15. Respondents' Exhibit 32, Bond Yields as reported by Survey of Current Business issued by United States Department of Commerce. (Page 1042.)

16. Respondents' Exhibit 33, Yields to Maturity of Security Issues approved between July 1, 1933, and May 7, 1937, which were for a term of ten years or more, bore a fixed return in dollars, were of a type generally marketable and were actually sold for cash to non-affiliated interests. (Page 1045.)

17. Respondents' Exhibit 34, Bond Prices and Yields of Pennsylvania electric utilities. (Page 1046.)

18. Respondents' Exhibit 35, New York Money Rates from January 1, 1932, to April 23, 1937. (Page 1050.)

19. First four sheets of Respondents' Exhibit 36, Corporation Profits and Earnings on Common Stocks arranged according to Ratios of Earnings to High Market Prices of Common Stocks. (Page 1051.)

20. Complainant's Exhibit 1, Capitalization of York Railways Company, Subsidiary and Predecessor Companies. (Page 1071.)

[fol. 1515] 21. Complainant's Exhibit 7, 1936 Increment Cost of Service to York Railways Company and Profit to Complainant. (Page 1086.)

22. Complainant's Exhibit 8, Page 1, Summary of Reproduction Cost Estimate as of November 30, 1936. (Page 1088.)

23. Complainant's Exhibit 9, Summary Sheet 1, Day & Zimmermann Estimate of Original Cost. (Page 1095.)

24. Complainant's Exhibit 12, Chart showing Distribution of Salaries of Officers and Employees to the Various Classes of Utilities on the Basis of Services Rendered during the year ended December 31, 1936. (Page 1098.)

25. Complainant's Exhibit 15, Net Operating Earnings adjusted to, show Increase in Operating Expense which would be Experienced by Complainant if Joint Operating Agreement with Affiliated Companies were not in Effect, the date being for the year ended December 31, 1936. (Page 1123.)

26. Complainant's Exhibit 17, Excess or Deficiency of Income of Predecessor Companies Based on Return of Eight Per Cent Applied to Fixed Capital and Working Capital Investment. (Page 1125.)

27. Complainant's Exhibit 18, Summary of Reproduction Cost Estimates of Used and Useful Property as of November 30, 1936, and May 31, 1937. (Page 1130.)

28. Complainant's Exhibit 19, Statement of Net Operating Earnings for Twelve Months ended September 30, 1937, with Reflection of Unrecorded Operating Expense Items. (Page 1163.)

29. Complainant's Exhibit 19a, Detail of Operating Revenues, Expenses and Taxes for year ended September 30, 1937. (Page 1164.)

30. Complainant's Exhibit 19d, Resolution Relating to Discontinuance of Existing System of Allocation of Salaries among Affiliated Corporations. (Page 1172.)

31. Complainant's Exhibit 20, Statement of Effect of Payroll Increases. (Page 1193.)

32. Complainant's Exhibit 21, Statement of Rate Case Expenses to November 15, 1937. (Page 1195.)

33. Complainant's Exhibit 22, Additions to Fixed Capital, December, 1936, to September, 1937. (Page 1196.)

34. Complainant's Exhibit 23, Detail of Operating Expenses for year ended September 30, 1937. (Page 1199.)

{fols. 1516-1517} 35. Stipulation of February 15, 1938, Submitting Matter for Final Decree.

36. Opinion, Davis, C. J., Buffington, C. J. and Dickinson, D. J., Concurring, Granting Permanent Injunction and Making Certain Findings of Fact and Conclusions of Law.

37. Decree Granting Perpetual Injunction with Costs and Concelling Plaintiff's Bond.

38. Petition of Respondents and Intervenors for Appeal and Order of Court Allowing Appeal.

39. Assignment of Errors.

41. Stipulation of Counsel and Amended Praecipe For Transcript of Record.

42. Citation.

43. Clerk's Certificate.

Guy K. Bard, Attorney General. Edward Knuff, Samuel Graff Miller, Herbert B. Cohen, Counsel for Appellants.

Service of the above statement of points to be relied upon by appellants, and of parts of the record necessary for consideration thereof is hereby accepted this 5th day of December, 1938, and it is hereby stipulated that only the parts of the record designated need be printed.

J. Harry LaBrum, Counsel for Edison Light and Power Company.

---

[fol. 1518] [File endorsement omitted.]


---

Endorsed on cover: File No. 42,994. E. Pennsylvania, D. C. U. S. Term No. 509. Denis J. Driscoll, Thomas C. Buchanan and Richard J. Beamish, et al., appellants, vs. Edison Light and Power Company. Filed December 6, 1938. Term No. 509, O. T., 1938.





# MICROCARD

TRADE MARK 

# 22



MICROCARD<sup>®</sup>  
EDITIONS, INC.

PUBLISHER OF ORIGINAL AND REPRINT MATERIALS ON MICROCARD AND MICROFICHES  
901 TWENTY-SIXTH STREET, N.W. WASHINGTON, D.C. 20037 PHONE (202) 333-6393

3202

38-99

